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BUSINESS WEEK

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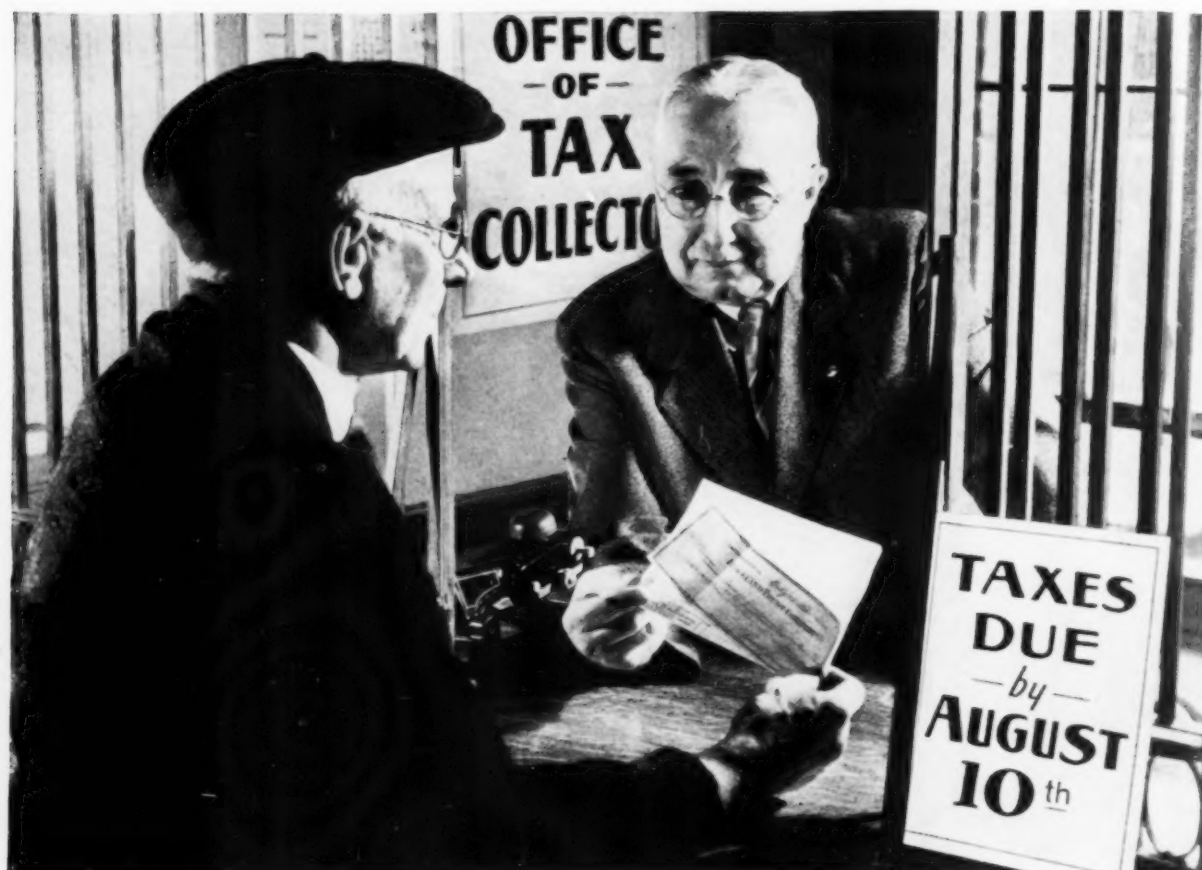
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CENTS

PEACEFUL PRAGUE—This month the world's danger spot.

UNIVERSITY OF MICHIGAN
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ALAN ARBOR MICH

We New Englanders Hate Debt!



Thrift is as characteristic of New England as covered bridges, white churches, stone walls, and village greens.

New England thrift is the butt of many a joke, but the laugh is usually New England's when the day of accounting comes . . . at the tax office, for example.

For the New England states, more than any other section of the country, have adhered to a *pay as you go* policy. Even during depressions there has been no serious rise in public debt. Defaults on principal or interest of the obligations of New England's

New England's Per Capita Public Debt (State and Local) is only \$93.18. The United States Average Per Capita Public Debt is \$113.68.

states and communities are almost unknown. Government in New England means giving the maximum of service to its industries and citizens at the lowest possible cost on a *pay as you go* policy.

Public debt constitutes a **PROMISE TO PAY** taxes in the future. Industries contemplating relocation or expansion should consider not only existing tax rates, but also local and state debt. In the light of New England's low debt, is it any wonder that

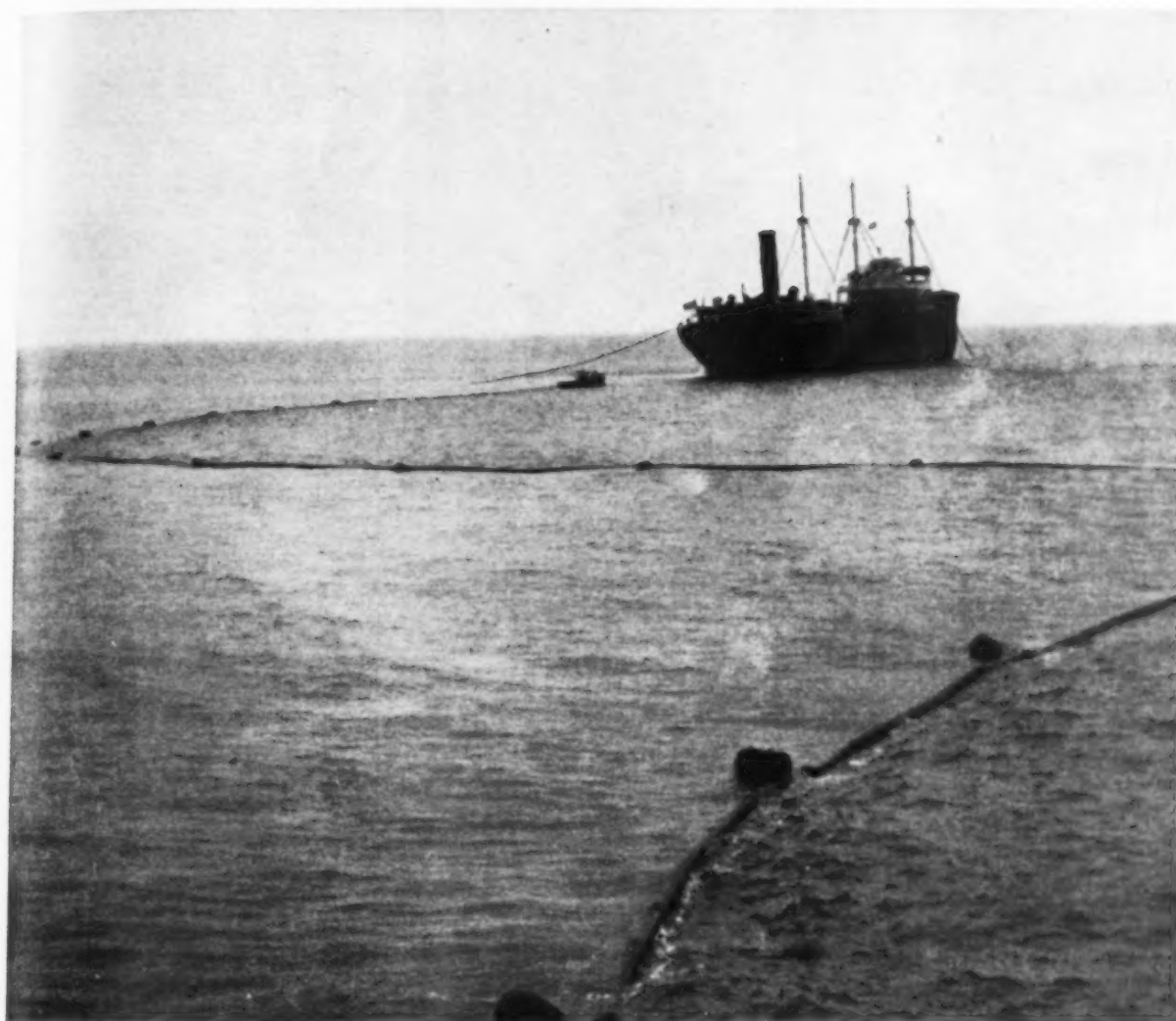
industry after industry is moving to New England where fighting debt is a natural instinct of the people?

There are still inviting opportunities to purchase or rent plants of modern construction in New England at enormous savings. For thirteen years The New England Council has been the source of authentic information on New England. Manufacturers who are thinking of plant relocation or expansion should write today to The New England Council, 1032 Statler Building, Boston. This service is free.

NEW ENGLAND Means



BUSINESS



A THOUSAND-FOOT RUBBER "STRAW" FOR A 3,000,000-GALLON DRINK

A typical example of Goodrich improvement in rubber

A CALIFORNIA oil field had plenty of oil but no way to dispose of it. Tankers—the only economical way to ship from this point—could not get nearer than a thousand feet to the longest pier.

A pipe line from the pier was impossible because at this point along the coast harbor regulations prohibit any obstruction. Could hose be made to carry huge volumes of oil a quarter of a mile, stand the terrific pumping pressures necessary—and still be light enough to be floated out to a tanker, and back, out of the way, when loading was completed?

The problem was discussed with Goodrich. All oil hose up to that time had been used for short-distance pumping. Goodrich engineers went to work, developed a stronger and yet lighter hose of 8 inches inside diameter. One end of the hose was towed out from shore by a launch, connected aboard the tanker, and the pumps started. It was a complete success—a 3,000,000-gallon tanker was loaded, ready to sail in 10 hours! This Goodrich hose loaded 630,000,000 gallons before replacement was needed.

With 32,000 rubber items to their

credit, there are few problems Goodrich engineers have not had to face. Before you decide any problem involving rubber is impossible to solve—before you decide the life you have been getting out of any rubber product is all you can expect—find out what Goodrich can do about it. Your Goodrich distributor can help you. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

Goodrich

ALL *products* *problems* IN RUBBER



INCOME NO TAX ON THIS RINGSIDE SEAT

YOUR industrial operation in New Jersey is within overnight trucking distance of one-third of America's buying power. And for this ringside seat to the world's greatest selling attraction you pay no state income tax.

The latter fact is indicative of the state's favorable tax structure. Both typify the many outstanding inducements to business New Jersey offers. Look here and find plenty of low cost land close to urban centers . . . unexcelled transportation facilities, including eight major railroads, deep waterways and some of the finest highways in the country . . . workers skilled in many and varied industries.

New Jersey is a place where business thrives . . . that's why industry is moving in. Last year over 50 major industries (and hundreds of smaller ones) came here.

NEW JERSEY COUNCIL

CREATED TO TELL YOU ABOUT THE INDUSTRIAL ADVANTAGES OF THE STATE

READY NOW: An Industrial Atlas of New Jersey. Ask your secretary to write for your copy
New Jersey Council, Dept. BW-3, State House, Trenton, N. J.



THIS BUSINESS WEEK

WAGE-HOUR CATECHISM

FROM THE INQUIRING LETTERS coming into the office, from the way the Labor Editor is buttonholed by every employer he meets, we judge that business men are acutely aware that it's only eleven weeks until the wage-hour law goes into effect—and they have a host of unanswered questions. Not all can be answered now—the administrator, himself, is feeling his way—but no employer will want to miss the story on page 14 and the catechism on page 15. In future weeks, as new light falls, we'll keep you posted.

And speaking of wages and hours, it's interesting to learn that

FRANCE IS HAVING ITS TROUBLES

with the 40-hour, 5-day week law which the Popular Front put through two years ago. *Business Week's* Paris correspondent (one of the country's leading economists, by the way) reports on page 44 that French industry was plunged too abruptly into the rigid restrictions—our own law proceeds more slowly—and the result has been near-disaster.

WAR MAKES HEADLINES

—but the stories under this week's headlines have compounded confusion. The Foreign Editor, pulling together cabled reports from London, Paris, Berlin, Moscow, and Tokyo, clarifies on page 16 the answer to the question of war or peace. Look for that answer, he says, not in Manchukuo but in Prague.

THE M.D.'S ARE IT

as the government again goes trust-chasing, and business has an interest in Thurman Arnold's attack on the American Medical Association not only because it's another example of the effort to popularize trust-busting, but because unnecessary illness costs the country the staggering sum of \$10,000,000,000 annually (page 36).

BUSINESS IS BUSINESS . . .

AND POLITICS IS POLITICS, and frequently the twain do meet. Executives are learning that the way to be practical about politics and politicians is not to go running to Washington whenever Congress considers business legislation, but to do some real spade work in the back yard—in the primaries at home. So *Washington Bulletin* (page 7) takes a quiet week in Washington to swing around the country, interpret what's happening in the primaries and what's likely to happen in the fall elections.

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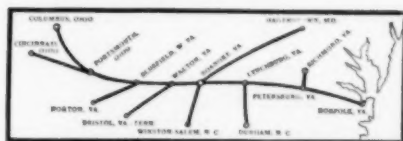
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The Shipper and The Pilot—east-bound—and *The Nomad and The Caravan*—westbound—are among the fast Norfolk and Western merchandise trains operating on daily schedules via the route of *Precision Transportation*, offering fast service and on-time delivery for your freight ♦

Call on any of the Railway's representatives located in strategic cities throughout the nation for complete information regarding rates, routes, and schedules, and for assistance in the solution of your shipping problems ♦ Or communicate direct with the Freight Traffic Department in Roanoke, Virginia ♦



1838—A CENTURY OF SERVICE—1938

**NORFOLK
AND
WESTERN
Railway**
PRECISION TRANSPORTATION

NEW BUSINESS

PRO-UNDERSHIRT CAMPAIGN

MEN WHO SHED THEIR UNDERSHIRTS at the first summer jump of the thermometer will shortly be shown the error of their ways by Durene Association of America, 468 Fourth Ave., New York. To keep cool, the body must perspire. To keep still cooler the perspiration must evaporate. Undershirts speed the evaporation. Tests conducted by United States Testing Co. indicate that undershirts knitted from Durene absorb and evaporate perspiration twice as fast as those knitted from unmercerized cotton yarn. Durene Association will undertake an immediate campaign to educate retailers, clerks, and former undershirt wearers.

RAIL-AUTO TRAVEL PLAN

PASSENGERS of the New York, New Haven & Hartford Railroad who ride the rails to cover long distances and drive automobiles to cover territories around nine important cities may now take advantage of a new arrangement made with licensed operators of the Hertz Driv-Ur-Self System. Standard receipt for railroad fare entitles passenger to special rates and free transportation from railroad station to Hertz garage in Boston, Bridgeport, Hartford, New Haven, New York, Providence, South Norwalk, Springfield or Worcester. Cost of automobile reservation telegram up to 35¢ will be credited to rental charge.

STREAMLINED CAPITAL LIMITED

IT WON'T BE LONG before most of the crack trains running into Chicago will be streamlined. Baltimore & Ohio Railroad has just concluded arrangements with Pullman Co. to streamline and modernize the Capital Limited, following the attractive B. & O. pattern of streamlining devised by Otto Kuhler, its consulting engineer of design.

CASHEW VENDOR

NEWEST INTEREST of Edison Steel Works, 45-01 Newtown Road, Long Island City, N. Y., which has previously developed products ranging from portable greenhouses to delicate instruments for removing eye cataracts, is the Salesmaster Vendor which delivers over an ounce of hot cashew nuts in a paper cup in exchange for a buffalo or Jefferson nickel.

BIG NEW WELDING MARKET

COMMERCIAL WELDERS are being informed by American Manganese Steel Division of American Brake Shoe & Foundry Co., Chicago Heights, Ill., that farmers constitute an enormous poten-

tial market for hard-surfacing of plow shares, harrows, cultivators, etc. One Illinois farmer averaged 12 acres of plowing with an unsurfaced share before repointing; but with one hard-surfacing with Amsco No. 459 welding rod, he plowed 165 acres—14 times as much.

ZIPPER BEER CAP TEST

UNDER THE TUTELAGE of Erwin, Wasey & Co., Minneapolis Brewing Co. is feeling out Michigan reactions to its Grain Belt Beer in bottles equipped with Alka-Caps which require no bottle openers. As developed by Alka Bottle Capping Machine Co., 205 E. 42nd St., New York, each aluminum cap is equipped with a small tab. One yank on the tab zips the cap off for quick and handy thirst quenching.

MOVIE-STILL HOOK-UP

STARTING more than a year ago with exclusive sales rights in 11 Far Western states for the imported Exakta line of still cameras, Bell & Howell Co., 1801 Larchmont Ave., Chicago, pioneer in the field of motion picture cameras, is adding the states of North Dakota, South Dakota, Nebraska, Kansas, and Oklahoma.

NO PLACE LIKE HOME

THEME and slogan for National Washer & Ironer Week, beginning Oct. 23, under the auspices of Edison Electric Institute and American Washer & Ironer Manufacturers' Association, will be: "For Family Washing There's No Place Like Home."

MORE PHONE BOOTH COMFORT

LAST WEEK news broke about an air-conditioned phone booth in Atlanta (*BW—Jul 30 '38, p4*). This week news breaks that American Tel. & Tel. has contracted with General Electric to air condition more than a hundred phone booths, as well as other space, in its exhibit building at the New York World's Fair. In these booths, lucky visitors chosen by lot will be allowed to place long distance calls anywhere in the country—and they won't be billed for them the first of the month.

SNOW WHITE REPAIR SHOP

ONE FEATURE of last week's National Convention of National Typewriter & Office Machine Dealers Association, Hotel New Yorker, New York, was the Snow White Typewriter Repair Shop exhibited by Ames Supply Co., 564 W. Randolph St., Chicago. Ames' idea is to get dealers to put their typewriter repair shops in show windows where they will attract the attention and custom of prospective customers.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Tremendously increased strength in the next Congress for the Southern conservative group, opposed to Roosevelt on spending and business regulation, on playing along with the C.I.O. and on widening the field of government competition with private industry, seems sure as a result of primaries so far.

By the same token more conservative strength in the next Democratic national convention is fore-shadowed. Most important is the triumph of the Byrd machine in Virginia. This means not only continuance of the opposition of Senators Glass and Byrd to the New Deal but it also means that if ill-health should force Glass to retire—which anti-New Dealers have been worrying about no little—a Byrd man would take his place. In both contested districts during the primary fight the New Deal was virtually the only issue.

DODD, JR.'S DEFEAT

FROM JOE KEENAN, the "practical politics" man in the Department of Justice, right on down the line, New Dealers here had hoped William E. Dodd, Jr., son of the former Ambassador to Germany, might be able to defeat Howard W. Smith, sitting Congressman from the Virginia district which starts at the Potomac River and runs down to Charlottesville. Loyalty to Roosevelt was the only topic discussed by young Dodd. He lost every one of the 15 counties by a total vote of more than three to one.

RULES COMMITTEE FIGHT FAILS

SIGNIFICANTLY, support for Dodd was part of the Administration plan to revamp the House Rules Committee, which so successfully stymied many New Deal measures in the last two years. Every "Tory" member of that committee was marked for defeat.

Smith, an important member of that committee, is now certain to come back. The fight has also failed so far against O'Connor of New York, Driver of Arkansas, Dies of Texas, and Clark of North Carolina.

The Administration and John L. Lewis are still hoping to beat E. E. Cox of Georgia but reports from there indicate that chances for his renomination are excellent.

"DRAFTING" ROOSEVELT

EXPLANATION of so much third term talk is the growing realization of the New Dealers that not one of their num-

ber seems likely to "make the grade" at the Democratic National Convention in 1940.

Roosevelt himself would have been satisfied if he could have gotten Robert H. Jackson started. But Jim Farley, Ed Flynn, of the Bronx, and others with strong followings in New York would not give Jackson the chance to make a record as governor of New York.

So those close to Roosevelt, who want his policies carried on and who want to

Rebel in The Tall Corn



GOV. NELS G. KRASCHEL

IOWA'S GOVERNOR clashed with Washington this week in ordering the National Labor Relations Board to halt a hearing near the Maytag strike scene. Later having arranged to open the Maytag plant under military surveillance, he permitted the NLRB to resume its hearing, but not in the same county. Still posed for possible future Supreme Court tests was the question of how much—if any—power a state had to interfere with the federal NLRB.

retain their own places in the sun, have come to the conclusion Roosevelt must make the "sacrifice" and run himself.

CONSERVATIVES IN THE SADDLE

ALL ALONG, conservatives have been certain of controlling a lot of big delegations.

Roosevelt may have a grip on New York's delegation, but he could not deliver even it against the wishes of men who balked him on Jackson, especially if Lehman agreed with them.

The mere fact that Lehman, opposed

to court packing and alarmed about federal spending, is assured of nomination for Senator is the tip-off on this.

LOSING GRIP ON PARTY

VICTORY of Sen. Bennett C. Clark of Missouri by a tremendous margin over two 100% New Dealers and a fourth candidate further strengthens the prospect that the Roosevelt wing of the Democratic party will not be able to control the 1940 convention.

Interesting here is the fact that the Pendergast Kansas City machine was not able to nominate its judicial candidate in a statewide contest.

Similarly, the grip on the state organization held by Sen. Neely of West Virginia, who never hesitates about taking White House orders, was upset by the triumph of other candidates in several statewide contests.

ONLY TWO ON PURGE LIST

ONE OF THE REASONS many political dopesters figure Ellison D. (Cotton Ed) Smith is almost sure of renomination, although he was high up on the purge list for having opposed the President on the court and other issues, is that the A.F.L. is fighting for him.

Incidentally, with the certain renomination of Sen. Adams in Colorado, the "purge" has narrowed down to George in Georgia and Tydings in Maryland, so far as any positive results are within the realm of reason. In Colorado, Adams' opponent did not get enough votes to get his name on the primary ballot.

ANALYZING TEXAS RETURNS

LITTLE ATTENTION in Washington was paid to the Texas primary save to note that a very spectacular figure, Maury Maverick, was beaten and that another less spectacular figure, Hatton Summers, was re-nominated.

What most observers overlooked in this C.I.O. versus A.F.L. battle was that Morgan Sanders and W. D. McFarlane, two other representatives with backing much like that behind Maury Maverick, failed to come through with wins. Sanders was defeated outright and McFarlane was forced to a runoff.

Meanwhile four other important Texas Democrats in the House who were marked for defeat along with Summers were renominated easily; none of them, however, made a clear-cut break with Roosevelt.

A.F.L. AND THE WAGNER ACT

CONSIDERABLE sentiment for amendment of the Wagner act is being built on the state primaries where C.I.O. and A.F.L. are opposed. With the Texas

CHICAGO M. E. TEMPLE CUTS HEATING COSTS \$7,400 IN 6 YEARS

**Webster Moderator System Helps
Towering Chicago Temple to
Reduce Coal Consumption**

NO "STARVING" TO GET RESULTS

**Costly Overheating Reduced as
Modernized System Circulates
Steam According to Need**

ALWAYS COMFORTABLY HEATED

Chicago, Ill.—Savings due to reduction in cost of heating the towering Chicago Temple Building have totalled \$7,452.80 in approximately six years since installation of the Webster Moderator System, according to the owner.

This substantial reduction in heating costs represents the cash value of coal savings achieved as a result of Webster Heating Modernization Program completed on March 15, 1933. Following is a summary of the savings:

| | |
|-----------------|-----------|
| 1932-33 (3 mo.) | \$ 100.85 |
| 1933-34 | 926.27 |
| 1934-35 | 865.21 |
| 1935-36 | 2,206.69 |
| 1936-37 | 1,770.55 |
| 1937-38 (5 mo.) | 1,583.23 |

\$7,452.80

Savings are based on a comparison of current coal consumption and the average annual coal bill between 1927 and 1931.

Installation of the Webster Moderator System was made by Wm. Lees, Inc., well known Chicago heating firm. There is a total of 41,461 sq. ft. of installed direct radiation.

The original heating system was only 11 years old at the time of modernization. The Chicago Temple, built in 1922, was designed by Holabird & Root, Chicago architects. The building is under the management of Willoughby & Company, leading Chicago building management concern.

With the Webster Moderator System, heating service has been satisfactory at all times. The building has heated evenly and rapidly during some of the coldest weather Chicago has ever experienced.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address

1888 WARREN WEBSTER & CO., CAMDEN, N. J. 1938
Pioneers of Modern Steam Heating
50 YEARS OF HEATING PROGRESS
Representatives in 60 principal U. S. Cities



Chicago M. E. Temple
Chicago, Ill.

and Pennsylvania returns in mind, many observers have counted C.I.O. out, begun to predict that A.F.L.-sponsored Congressmen who have been returned to the House will successfully push demands for revision in the law.

It is debatable, however, whether the A.F.L. actually will support any amendments which would revise the Wagner act as employers desire. Despite the acclaim which greeted the remarks of Matthew Woll of the A.F.L. before the Republican program committee this week, it is worth noting that Woll stressed "weaknesses and maladministrations" of the act in asserting that it needed amendment. He had little to say about organic defects of the type which business wants corrected.

EXAMINING LABOR POLICIES

THAT THE PRO-LABOR BLOC will face stronger opposition in the next Congress, however, is undoubted. Not only the activities of the NLRB, but the whole field of labor policies, are due to be opened up and spread out on the table.

One pertinent question, much discussed in Washington, is illustrated by this week's decision in the Third Circuit Court, holding that jurisdictional battles between unions organizing a plant are not labor disputes under the Wagner act, and that an anti-picketing injunction issued under these conditions (in the Food Fair chain case) was valid.

Importance of the decision should not be overestimated as a guide for other courts. The Circuit Court in question was reversed in every labor case in which its decision was appealed to the Supreme Court in the 1937-38 term.

LOOK ASKANCE AT HARLAN

OFFICIALLY, Washington believes the Harlan mistrial can be accounted for on the ground that Kentucky mountaineers do not understand industrial issues. The feeling is that technicalities obscured what otherwise would have been obvious; i.e., that there had been interference on the part of the 55 coal operators with collective bargaining and that such interference violated the 70-year-old criminal law forbidding interference with constitutional rights.

Unofficially, New Dealers believe there was something "rotten in Denmark," though they're not prepared to make direct charges of jury tampering. How else, they ask, can you explain the fact that the talesmen were 11-to-1 for conviction a week before the trial ended and then came in with a hung-jury report.

BACK TO 1926

"WE HANDLED the eggs carelessly," says a New Dealer in explaining the recession. (Note the past tense.) In the future, care will be taken not to pro-

voke a break. The plan is to keep prices moving upward until the 1926 relationship is reestablished.

An Administration amendment to the resolution setting up the National Economic (monopoly-investigating) Committee provides that it "shall investigate the subject of government adjustment of the purchasing power of the dollar so as to attain 1926 commodity price levels."

PWA MAKING TRACKS

WITH TWO-THIRDS OF ITS NEW MONEY already allocated and more applications still piling up, PWA now is convinced that before Sept. 30, the deadline on the new public works program, total applications will exceed the \$965,000,000 available. Which explains the withdrawal of a grant to Boston because it dilly-dallied, and the announcement that other similar actions will follow when offers are not picked up quickly. The pinch will be felt first in grant money, lifted by Congress to a total of \$750,000,000. Since most large cities can and do borrow freely elsewhere at less than PWA's 4%—the few exceptions are chiefly on large projects—PWA is playing safe by letting RFC make the big loans. This will obviate any possibility of loan demands cutting the total available for grants below the statutory maximum.

QUESTION SUPER-HIGHWAY

BANKS are not envious of the \$32,000,000 loan the Reconstruction Finance Corp., has promised to make for the 162-mile Harrisburg-Pittsburgh super-highway. Despite an outright grant of an additional \$26,000,000 from PWA, road experts regard the project as far from self-liquidating. Any toll in excess of 2½¢ a mile (coach fare) would, in their opinion, reduce traffic density to unprofitable thinness.

Some say privately that the whole thing is just a handout to help Gov. Earle and Sen. Guffey.

"EDUCATIONAL" ORDERS COMING

BRIG. GEN. HENRY H. ARNOLD, assistant chief of the Air Corps, will head up the staff in charge of preparing and distributing orders for special munitions of a non-commercial character. The first batch probably will go to automobile manufacturers during September.

The "educational" program is intended to familiarize industrial concerns with the manufacture of such special military requirements. Congress appropriated \$2,000,000 for the first year's operation and authorized similar appropriations for a period of five years.

Ordnance, engineer, and field artillery corps also are represented on the staff appointed by Assistant Secretary of War Johnson.

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Collect Wage-Hour Facts

SOUTHERN INDUSTRIES have begun the gathering of data to present to the minimum wage committees to be appointed under the wage-hour law. A typical questionnaire follows:

What is the number of employees in your plant who now earn less than 25¢ an hour?

What is the number of work hours per week per shift when your plant is operating at normal capacity?

How many employees are likely to be eliminated by the new law?

How many additional people are likely to be employed as a result of the new law?

What is the estimated increase in your monthly payroll?

Can your plant continue to operate on a 30¢ per hour minimum, a 35¢ minimum, a 40¢ minimum?

Are you eligible for exemption under favored classifications?

Answers are expected to demonstrate that raising minimum wages would "substantially curtail employment," which the law admonishes the administrator to avoid.

SET FOOD STANDARDS

AS THE FIRST DEFINITE STEP in the establishment of official standards of identity and quality for food, the Department of Agriculture is reorganizing its food standards committees.

In the past, this committee has served in an advisory capacity in setting up unofficial standards. It will now be given official status and its members will be paid consultants appointed by the Food and Drug Administration to assist in determining the standards to be applied under the new food and drug law.

WORKING OVERTIME ON COAL

ASCERTAINING COSTS of production for 8,756 coal mines, as well as for thousands of wagon mines, is causing the National Bituminous Coal Commission and its staff to violate all New Deal conceptions of what are proper working hour standards.

"Informative" hearings have been completed. With all cost data in hand consideration now turns to prices that will allow an income equal to the average cost of production.

Denial of the injunction brought by operators who did not want their individual costs revealed will expedite proceedings, but final determination of a coherent, competitive price structure may take until January.

A



Foul Tips

Not even the big-league catcher can dodge the *foul tips*. Hence his top-to-toe protection as he crouches behind the plate.

And, just as thoroughly, Standard Accident can cover you against the *foul tips of fortune*: injuries to self, employees, and public; automobile accidents; burglary and hold-up; plate-glass breakage; embezzlement; check alteration and forgery; and many others.

54 years of experience. Prompt, equitable adjustments.

One of Standard's 9000 proficient representatives will gladly analyze your Casualty Insurance and Bonding needs.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

THE TELEPHONE BRIDGE TO VACATIONLAND



COSTS LESS AT NIGHT OR ON SUNDAY

Long Distance provides a quick, convenient bridge between you and your vacation — regardless of where you're going.

You can call ahead to make hotel reservations — to find out whether friends will be home — to learn about roads, canoes and camp sites.

After you get there, you can keep in touch with home or office, avoid worry, and enjoy your vacation *more*.

And if you go back to town leaving the family at lakeside or seashore, Long Distance will help make the silent house seem less lonely.

The toll on Long Distance bridge has been repeatedly reduced in recent years. It's low during the day and still lower after seven every evening and all day Sunday. See the sample rates below — and then try a sample!

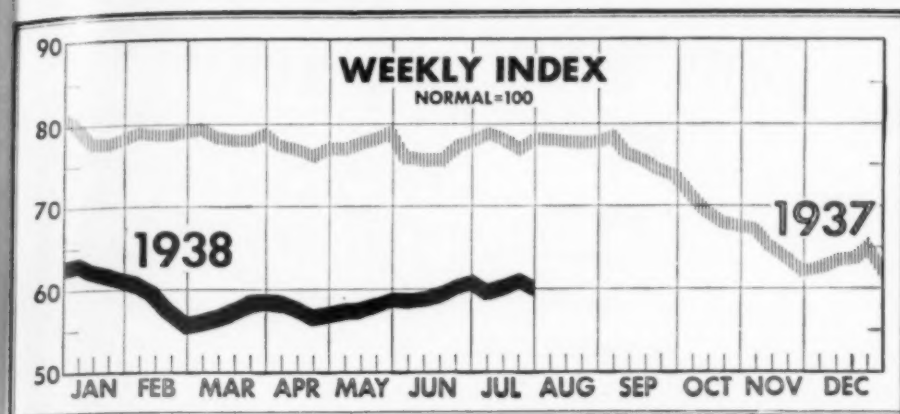


Here's how little it costs to telephone:

| BETWEEN | AND | ★STATION-TO-STATION | |
|-------------------|-----------------------|---------------------|---------------------|
| | | Week- day | Night and Sunday |
| Washington, D. C. | Atlantic City, N. J. | \$.65 | \$.40 |
| New York | Provincetown, Mass. | .85 | .55 |
| Los Angeles | Tucson, Ariz. | 1.40 | .85 |
| Kansas City | Colorado Springs | 1.70 | 1.05 |
| Cleveland | Bar Harbor, Me. | 2.20 | 1.35 |
| Chicago | Glacier National Park | 3.75 | 2.25 |
| New Orleans | Rainier National Park | 5.50 | 3.75 |

* 3-minute station-to-station rates. Reduced rates are in effect from 7 P.M. to 4:30 A.M. every night and all day Sunday.

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

| | |
|-----------------|-------|
| Latest Week | *60.9 |
| Preceding Week | †61.6 |
| Month Ago | 61.6 |
| Year Ago | 79.0 |
| Average 1933-37 | 70.2 |

PRODUCTION

| | Latest Week | Preceding Week | Month Ago | Year Ago | Average 1933-37 |
|---|-------------|----------------|-----------|----------|-----------------|
| *Steel Ingot Operation (% of capacity)..... | 39.8 | 37.0 | 22.4 | 85.5 | 56.4 |
| *Building Contracts (F. W. Dodge, 4-week daily average in thousands)..... | \$9,220 | \$9,443 | \$12,115 | \$12,533 | \$7,622 |
| Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands) | \$8,853 | \$9,761 | \$8,696 | \$7,894 | \$5,412 |
| *Bituminous Coal (daily average, 1,000 tons)..... | 975 | 964 | 862 | 1,229 | 1,104 |
| *Electric Power (million kw.-hr.)..... | 2,094 | 2,085 | 2,015 | 2,256 | 1,901 |

TRADE

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Total Carloadings (daily average, 1,000 cars)..... | 97 | 100 | 93 | 128 | 112 |
| *Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)..... | 62 | 63 | 61 | 78 | 70 |
| *Check Payments (outside N. Y. City, millions)..... | \$3,503 | \$4,097 | \$3,798 | \$4,207 | \$3,549 |
| *Money in Circulation (Wednesday series, millions)..... | \$6,416 | \$6,433 | \$6,428 | \$6,424 | \$5,730 |

PRICES (Average for the week)

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Wheat (No. 2, hard winter, Kansas City, bu.)..... | \$0.68 | \$0.70 | \$0.73 | \$1.17 | \$1.05 |
| Cotton (middling, New York, lb.)..... | 8.64¢ | 8.84¢ | 9.03¢ | 11.14¢ | 11.93¢ |
| Iron and Steel (Steel, composite, ton)..... | \$36.43 | \$36.30 | \$36.29 | \$40.27 | \$33.74 |
| Copper (electrolytic, Connecticut Valley basis, lb.)..... | 10.104¢ | 9.917¢ | 9.500¢ | 14.000¢ | 9.948¢ |
| Moody's Spot Commodity Price Index (Dec. 31, 1931=100)..... | 147.3 | 147.8 | 143.1 | 205.2 | 165.7 |

FINANCE

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Bond Yields (Standard Statistics, average 45 bonds)..... | 5.75% | 5.79% | 6.41% | 4.44% | 4.67% |
| Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average)..... | 1.00% | 1.00% | 1.00% | 1.00% | .85% |
| Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate)..... | .75% | .75% | .75% | 1.00% | .98% |
| Business Failures (Dun and Bradstreet, number)..... | 219 | 206 | 242 | 158 | 215 |

BANKING (Millions of dollars)

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Total Federal Reserve Credit Outstanding (Wednesday series)..... | 2,583 | 2,585 | 2,590 | 2,560 | 2,428 |
| Excess Reserves, all member banks (Wednesday series)..... | 3,040 | 3,040 | 2,900 | 813 | 1,709 |
| Total Loans and Investments, reporting member banks..... | 20,556 | 20,618 | 20,561 | 22,283 | 20,233 |
| Commercial and Agricultural Loans, reporting member banks..... | 3,869 | 3,878 | 3,936 | 4,425 | † |
| Security Loans, reporting member banks..... | 1,172 | 1,201 | 1,235 | 2,064 | † |
| U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks..... | 9,299 | 9,318 | 9,258 | 9,471 | † |
| Other Securities Held, reporting member banks..... | 3,096 | 3,092 | 2,982 | 3,028 | † |

* Factor in Business Week Index.

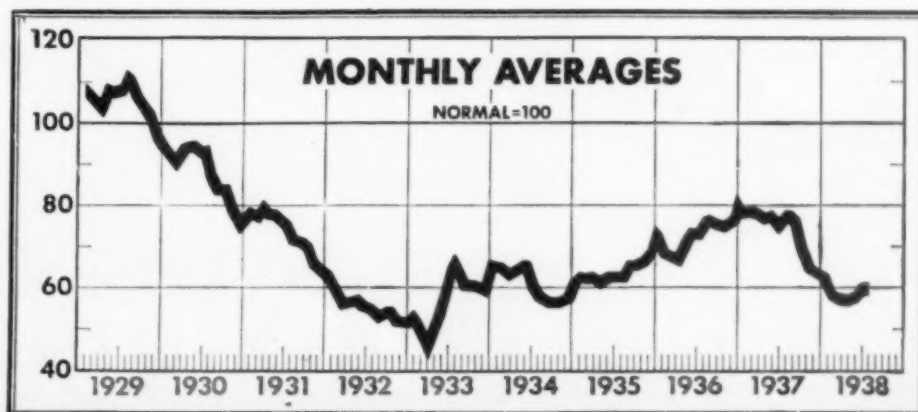
* Preliminary, Week Ended July 30.

† Revised.

‡ Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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YESTERDAY'S PROMISE IS TODAY'S REALITY!

Not only is the 42-passenger Douglas DC-4 the world's largest but also its most luxurious commercial land plane. Built for five major U. S. airlines this Sovereign of the Skies provides luxurious berths for 30 per-sons, has a "bridal suite", a "charm room" for the ladies, a dressing room for men, an electric kitchen and a dining service up to the standard of exclusive clubs. The plane is sound proofed, air conditioned, steam heated; provides hot and cold running water and even a telephone system connecting with any exchange in the nation. Write for a booklet describing the DC-4. Douglas Aircraft Co., Inc., Santa Monica, California.

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served in the grand manner.

DC-4

DOUGLAS

UNITED AIR LINES...TWA...AMERICAN AIRLINES, INC....EASTERN AIR LINES...PAN AMERICAN AIRWAYS

BUSINESS WEEK

AUGUST 6, 1938

THE BUSINESS OUTLOOK

More and more doubters are growing convinced that this recovery movement is real. Railroads chop expenses and may resume buying. Store and factory inventories drop.

THE NEWS FROM BUSINESS still confirms the bullish indications given by stock and commodity prices during June. An increasing number of the skeptics to whom the stock market rise seemed unfounded are being convinced by the ability of the market to maintain its new plateau week after week and, above all, by the upturn in one after another of the business indexes. With this broadening of the base of confidence, a continuance of recovery seems more and more probable.

Auto Industry Improves

The automobile industry, long the leader in the American economy, is again typical of the whole. At the beginning of June the industry seemed to be heading for an almost complete shut-down during much of July and August. However, not only has production continued at a much higher level than had been planned, but stocks on hand have declined to the point where actual shortages of some of the 1938 models are expected before the 1939 models appear to take their place. The depressed level of production in August, as various plants shut down, is now expected to turn into a sharp revival in September.

Steel Up to 40%

Orders from the automobile industry will probably give the steel trade a needed stimulus in the last half of August. The motor companies are already making inquiries. Orders from other consumers are tending to drop off, however, and a dip in steel operations in the next two weeks would not be a surprise.

The achievement of a 40% rate of activity in the steel industry in the first week of August is, nevertheless, a major achievement. It reflects miscellaneous purchasing, which in some cases is running over the current rate of activity of the consuming industries themselves. As this activity is stepped up in

the autumn, however, it should drag steel operations up with it toward a not unsatisfactory autumn peak.

Capital Goods Outlook

The current recovery is still primarily a consumers' goods revival based on replenishment of inventories, but even the capital goods industries may make a better showing than had been expected. Perhaps the critical test will come from the railroads. Traffic has been on the uptrend since early June, and, despite the interruption which occurred in last week's and again in this week's figures (partly due to the weather), the outlook is for a continuance of this uptrend at least as far as the October peak.

In the meantime the railroads have pared their expenses, so that in July they may show net earnings after fixed charges for the first time this year.

Certainly their net operating income will be very much better than in any preceding month. If the bulk of the seasonal increase in gross earnings between July and October can be carried through to net income, the roads may be in a position to step up their purchases of equipment. Accumulated under-maintenance may stand in the way, and fixed charges remain a grave problem for many lines.

Depends on Rail Wages

Most likely, the outlook for the railroad equipment industry for the autumn will depend primarily on the result of the wage proceedings now going on between the carriers and their employees. If these proceedings eventuate in a suspension of last year's wage increases for the duration of the emergency, as is not improbable, the outlook for steel and the other capital

In The Business Outlook



BUSINESS EAGERLY LISTENS in this week on the automobile industry's cautious talk of increased orders to prepare for a September sales revival. Fifteen hundred business men listened in last week as Henry Ford and William S. Knudsen; General Motors president, reminisced at the Sage of Dearborn's 75th birthday party.

International

goods industries will be improved.

The prospect for consumers' goods industries is far brighter than it has been for a year past. In July retail sales failed to continue their improvement, but this was easily traceable to the rainy weather. There is every reason to believe that the trend set early in June is still under way, and that August will see a strong recovery in sales.

Stores Chop Inventories

Meanwhile department store inventories, as of June 30, are down to 67% of the 1923-25 level, as compared to the 78% peak of 10 months before and the 65% base level established in 1934-1936. In other words, over 80% of the increase has now been lost. These indexes are in dollar values, but, after adjusting for retail price changes, the same result is obtained—a loss of more than 80% of the 1936-1937 increase.

A similar trend is under way in manufacturing inventories, although here there is a larger excess to liquidate. Stocks of 70 large corporations, as compiled by the National City Bank from their June 30 balance sheets, were down 21% from the year-end peak figures. Once again, elimination of excessive stocks points the way to renewed buying and greater productive activity.

Business Prepares for Oct. 24

Wage-hour law which goes into operation on that date calls for heavy advance work by administrator and industry committees to answer employers' queries.

BUSINESS BEGAN this week to get ready for Oct. 24—the date for initial operation under the new wage-hour law. Trade associations, industrial counsel, and individual business men who have been pursuing their own study of the law are ready with a raft of questions to fire at Elmer F. Andrews, administrator, as soon as he is ready.

For many of the questions, at the present time, neither business nor the administrator has the answers. Mr. Andrews' first task will be to assemble a staff to enforce the statutory minimum wage of 25¢ an hour and to keep tab on payment of time-and-a-half for hours beyond the 44-hour maximum. His next step will be issuance of educational material to answer the immediate questions of a majority of employers and employees.

Most employers will want to know, first, if the law applies to them; second, just what procedure is going to be followed in the development of higher

minimum wage rates which gradually will supplant the fixed 25¢ statutory base. Getting into action early, several business groups already are knocking at Mr. Andrews' door. The Cotton Textile Institute's executive committee has appointed a subcommittee to confer with the administrator, anticipating that this will be the first industry in which the wage elevation machinery will be set in motion (*BW—Jun 18 '38, p14*).

Standpoint of Industries

The Chemical Alliance, which has been a going concern ever since NRA code days, is ready to cooperate with Andrews, and at present is extending its file of industrial data. The fertilizer industry (which will be one of the first to receive close scrutiny), does not know exactly where it fits in the picture and hasn't taken steps to anticipate application of the law. The lumber industry, likewise, is not appointing representatives to deal with the administrator until it knows whether it will be dealt with as a whole or regionally.

Actually, in these early stages, employers and their associations probably would be well advised not to seek contact with Mr. Andrews before they are invited.

The law, in general, applies to employees who are engaged in commerce or engaged in producing goods for commerce—but it then goes on to define commerce in a way which is regarded as broader than anything yet defined by the Supreme Court. For example: if a furniture manufacturer buys lumber outside his state but sells the finished product within the state, is he under the wage-hour law? The answer is: application of the law will depend on court decision. The manufacturer may want to know the answer—but the administrator can't decide.

Difficult Questions Arise

Many examples already are evident, to indicate that the law in some respects will be just as much of a conundrum to the official charged with its administration, as to business. Forehanded administration involves definition of certain terms and occupational exemptions, for example, but doubt and confusion immediately arise. Illustrative of the confusion are these problems:

1. The law (Section 7b, clause 3) provides for exemption of employees for periods of not more than 14 work-weeks in an industry found by Administrator Andrews to be of seasonal nature. Ex-

Test New Respirator for High-Altitude Commercial Flights



LAST WEEK a group of weirdly-masked men stepped from a Northwest Airlines transport at a Los Angeles airport, and faced a curious crowd of spectators. The masked fliers had just flown from Minneapolis, through the sub-stratosphere, on a flight to demonstrate the commercial possibilities of a new respirator designed by Mayo Foundation doctors to replace more cumbersome oxygen devices, and obviate the need for expensive, hermetically sealed cabins for

high-altitude flying. The apparatus consists of a simple, four-ounce rubber nose-piece and artificial balloon-lung, hitched by rubber tube to an oxygen tank. A feature of the mask is that it leaves the mouth free for conversation and for the pilots' use of the radio. Shown in the picture are four of the ten men who made the trip: H. R. Freeburg, chief flight pilot; Dr. W. R. Lovelace, co-designer of the respirator; Mel Swanson, co-pilot; and Bert Ritchie, pilot.

International

THE A-B-C OF THE WAGE-HOUR LAW

HOW DOES the Fair Labor Standards Act affect your business? This law, which aims to put a ceiling over hours and a floor under wages, was passed in the closing days of the recent Congressional session. Its provisions are complicated. The Bureau of Labor Statistics of the Department of Labor has issued a detailed explanation, in question-and-answer form. *Business Week* herewith boils that explanation down, as follows:

WHO IS COVERED?

1. *What groups of workers are covered by the law?*—Workers employed in industries engaged in interstate commerce or in manufacture of goods shipped in interstate commerce.

2. *What employees are exempt?*—(a) Executives, administrators, professionals, outside salesmen, and employees in retail and service establishments the greater part of whose business is within the state. (b) Seamen, and employees of air transport lines, suburban or interurban trolleys, and local trolley or motorbus carriers. (c) Farm workers and those employed in fishery industries. (d) Employees of weekly or semi-weekly country newspapers with a circulation of less than 3,000. (e) Workers who are personally engaged (within the area of production of the raw materials) in handling, packing, storing, ginning, compressing, pasteurizing, drying, preparing in a raw or natural state, or canning any agricultural commodity for marketing, or in making cheese or butter.

MAXIMUM-HOUR PROVISIONS

3. *What are the maximum-hour provisions?*—44 hours the first year, 42 the second, and 40 afterwards.

4. *Is overtime work permitted?*—Yes, if workers are paid $1\frac{1}{2}$ times their regular rate for all overtime.

5. *Are any industries exempt from paying overtime?*—Yes. (a) An employer and the representatives of his workers who are certified as *bona fide* by the National Labor Relations Board may arrange the working schedule without regard to the law, provided that no worker shall be employed more than 1,000 hours in any 26 consecutive weeks, or 2,000 hours in any 52 consecutive weeks. However, work in excess of 12 hours a day and 56 hours a week must be compensated at the rate of time and one-half. (b) In industries designated by the administrator as seasonal, workers may be employed 12 hours a day or 56 hours a week for not more than 14 weeks in any calendar year. (c) Employers engaged in the "first processing" of milk, whey, skimmed milk, or cream into dairy products, in ginning and compressing cotton, in processing cottonseed, and in processing sugar beets, sugar cane, or maple sap into raw sugar or into syrup, are exempt from the maximum-hour provisions; this exemption applies to all

employees wherever such work is done. (d) Railway and motorbus and truck carriers regulated by the Interstate Commerce Commission are also exempt. (e) Employers engaged in the first processing of or in canning perishable fresh fruits or perishable or seasonal fresh vegetables, or in the first processing within the area of production of any agricultural or horticultural commodity during seasonal operations, and employers engaged in handling, slaughtering, or dressing poultry or livestock are exempt from the maximum-hour provisions for 14 weeks during a calendar year, this exemption applying to all employees in the place where such work is done.

MINIMUM-WAGE PROVISIONS

6. *What are the minimum wages provided by the law?*—After Oct. 24, 1938, 25c, or the rate fixed by the administrator, whichever is the higher. After Oct. 24, 1939, 30c, or the rate fixed by the administrator. After Oct. 24, 1943, 40c, unless it can be shown that such rate would substantially curtail employment.

7. *Can the administrator establish a minimum of more than 40c?*—No.

8. *Must workers in all industries wait seven years for the highest minimum wage?*—No, the administrator must establish as quickly as feasible the highest minimum wage possible.

9. *What procedure must be followed?*—The administrator must appoint for each industry a committee consisting of an equal number of representatives of employers, workers, and the public. The committee must recommend the highest minimum possible.

10. *Can an industry committee recommend different minimum wage rates within an industry?*—Yes. No rates can be fixed solely on a regional basis or on the basis of age or sex of employees. Among factors to be considered are: (a) competitive conditions as affected by transportation, living, and production costs; (b) the wages established for work of comparable character by collective labor agreements; (c) the wages paid by employers who voluntarily maintain minimum-wage standards in the industry.

11. *Must the administrator accept the recommendations?*—No, he may refer the question back for further study or appoint a new committee.

12. *Can he establish a minimum hourly rate other than that recommended by the committee?*—No.

13. *Do the minimum wage rates apply to apprentices and learners?*—No, learners and apprentices, persons handicapped by age or physical defects, and messengers are exempt.

CHILD-LABOR PROVISIONS

14. *How are children protected?*—No producer, manufacturer, or dealer can ship or deliver for shipment in interstate commerce goods produced in establishments where oppressive child labor conditions prevail.

15. *What is oppressive child labor?*—Employment of children under 16, and employment of minors 16 to 18, in occupations found hazardous by the Children's Bureau.

16. *What occupations are exempt?*—Children under 16 employed in agriculture when not legally required to attend school, children employed as actors, and children working for their parents in any occupation other than manufacturing or mining.

17. *Are there other regulations?*—Yes, children between 14 and 16 may be granted permits for work in occupations other than manufacturing and mining if the Children's Bureau finds that such employment will not impair their wellbeing.

18. *Are children employed in interstate commerce covered by the law?*—No.

ENFORCEMENT

19. *How will the law be administered?*—Wages and hours, by administrator of new division, Child Labor provisions, by Children's Bureau.

20. *What penalties are provided for violations?*—A fine of not more than \$10,000 or imprisonment for not more than six months, or both.

21. *Can workers collect the difference between the legal wage and the amount they have actually been paid by employers violating the law?*—Yes.

22. *Are workers protected if they report violations or testify against their employer?*—Yes, employers are prohibited from discriminating against them.

For First Attention

THE NEW WAGE-HOUR LAW sets a minimum wage of 25¢ an hour. In determining which industries will first need his attention, Administrator Elmer F. Andrews will find some helpful hints in statistics assembled by the U.S. Bureau of Labor Statistics. For example: the following figures which show the percentage of adult male common laborers receiving entrance wages of less than 27.5¢ an hour one year ago in the North, in the South, and for the country as a whole.

| Industry | North | South | United States |
|-----------------------------|-------|-------|---------------|
| Auto parts | 0.3 | .. | 0.3 |
| Brick and tile | 0.6 | 43.0 | 7.4 |
| Cement | .. | .. | .. |
| Chemicals | .. | 10.8 | 4.7 |
| Fertilizers | .. | 62.5 | 42.0 |
| Foundry and mach'y products | * | 6.8 | 0.6 |
| Glass | .. | 4.2 | 0.9 |
| Iron and steel | .. | 0.2 | * |
| Leather | .. | 15.7 | 3.6 |
| Lumber (sawmills) | 2.9 | 72.8 | 28.2 |
| Meat packing | 0.1 | 3.4 | 0.6 |
| Paints | 0.1 | 4.9 | 0.4 |
| Paper and pulp | .. | 0.4 | 0.1 |
| Petroleum refining | .. | .. | .. |
| Rubber tires, etc. | .. | .. | .. |
| Soap | .. | .. | .. |
| Electric light | * | 9.3 | 3.1 |
| Traction lines | 0.7 | 15.3 | 2.7 |
| Gas | .. | 1.0 | 0.2 |
| Building | * | 17.0 | 5.5 |

* Less than 0.1%

The Bureau has also done a special job on cotton goods, showing that in the North, only 0.7% of all workers (skilled, semi-skilled and unskilled) were paid less than 27.5¢. But in the South, the percentage was 9.6%. For unskilled labor by itself the North's percentage was 1.7%; the South's, 26.4%.

tensive investigation will be needed to determine just what industries are seasonal within the meaning of the law—but it is important to have some preliminary determination because it is the apparent intent of the law that the seasonal hour exemptions and the maximum hour provision become operative simultaneously.

Definition Required

2. Section 7c provides for exemption of employees in industries engaged "in the first processing within the area of production (as defined by the administrator) of any agricultural or horticultural commodity during seasonal operations . . . during a period or periods of not more than 14 work-weeks in the aggregate in any calendar year." Until the words "within the area of production" are defined, no employer engaged in the food industries, or others whose operations bring them within the quotation, will know whether they are

covered by the wage-hour law. Only Administrator Andrews' definition will carry any weight.

Section 14 provides that the administrator "in order to prevent curtailment of opportunities for employment" shall, by regulations or orders, provide for the employment of learners and apprentices, messengers, or persons whose earning capacity is impaired by age and other factors, at wages lower than the minimum. Unless such regulations are issued beforehand, their absence on Oct. 24 may cause the dismissal of some workers in doubtful categories, because employers are required to pay the 25¢ minimum to all except those specifically exempted.

"Wage" is defined by Section 3m as including the reasonable cost, as determined by the administrator, of furnishing an employee with board, lodging, or other facilities. It won't be possible to apply the wage-hour provisions of the law to industries where this is customary, until the administrator determines by regulation what the value of such services shall be in computing minimum wages.

All of which, as it shifts in application here and there, poses a lot of questions for business—and makes it necessary for Administrator Andrews to do a tremendous lot of work before Oct. 24 if the law is to go into operation smoothly and effectively.

August Answers the War Question

World fears, fed on Soviet-Japanese border clashes, reach a new peak, as diplomats convene in Prague with good prospects for easing present tensions.

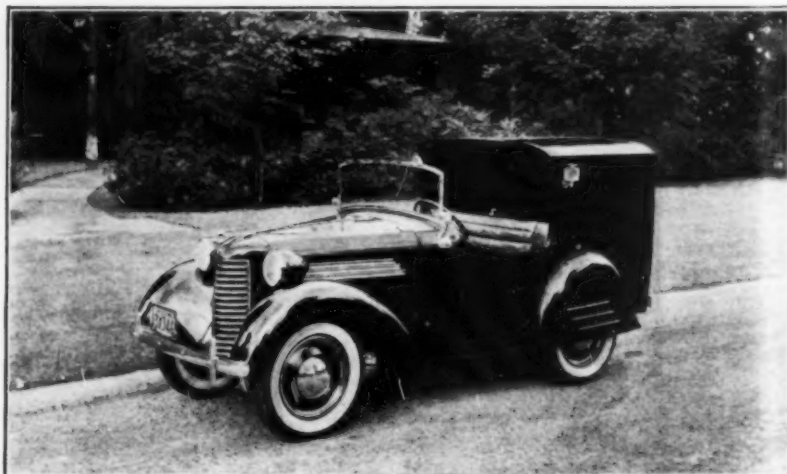
ALONG THE BLEAK BORDER between Manchukuo and the Soviet Union, over a million men from two of the world's most formidable armies face each other ready for war on a big scale if either Moscow or Tokyo decrees it. But it is in Prague that diplomats, sitting around conference tables, are making the real decisions which will bring war or peace in Europe and the Far East.

August is going to be more crowded with international tensions than any month since Italy and Britain threatened to come to blows in the Mediter-

anean over Ethiopia and Spain. Berlin has ordered telephones installed in the homes of all army officers so that they can be called to duty on short notice. Paris has ordered its fortifications along the German frontier overhauled and made ready for action since it learned that Germany is building its own Maginot line to face the French. Every responsible observer is ready to admit that the smallest spark can touch off a conflagration, but few believe that it is coming now.

In the seven years since Japan precip-

New Midget Delivery Car



BOULEVARD DELIVERY is the name given to this new commercial unit by American Bantam Car Co., Butler, Pa. Designed to offer shops a distinctive delivery vehicle, the Boulevard is one of the second series of Bantam "60's" with which the company is now replacing the models it originally began producing last fall. The Bantam is about 120 inches long over all (approximately the size of its predecessor, the Austin), has a four-cylinder, 20-horsepower engine.

itated a situation in Manchuria which allowed Tokyo to send in troops and start a campaign which resulted in the conquest of the entire region, Russia has become one of the great military powers. It is believed that there are no fewer than 500,000 crack Soviet troops manning fortifications along the Manchukuo front, and that at least 60 Soviet submarines are now stationed at Vladivostok. Farmers have been established in Siberia to grow provisions for this huge army, and factories have been established to supply munitions, military equipment, and airplanes so that the army is not dependent on the maintenance of supplies over the flimsy lines of communication with distant European Russia.

Japanese Business Fearful

Tokyo is aware of all this. A year after Japan started out to settle the China question, it is in control of a huge area, but its hold is so tenuous that Japanese business is afraid to go ahead with the big development program it has planned in China, and foreign capital can't be tempted into the region.

Almost everyone believes that Russia and Japan are eventually going to come to blows. Some people believe they are already settling accounts with the new form of undeclared war which has been popularized in the last few years. That may be the case, but so long as it is undeclared, and confined to border clashes and to Soviet support of the Chinese, it is not likely to start a world war.

Many nations are involved in the problems at Prague.

For the first time in his career, Hitler accepted a rebuff in May when the Czechoslovakians answered his threat to settle the German minority question by mobilizing their army, and when France and Britain made it plain that they would support the Czechs.

Chamberlain's Attitude

France is still tied to Czechoslovakia by treaty. Whatever pressure Britain may have exerted to break this tie, it is believed that even Neville Chamberlain (the Paris newspapers facetiously refer to him as Neville J'aime-Berlin), who has been accused of being ready to sacrifice Czechoslovakia for the sake of an Anglo-German accord, is ready to admit now that peace cannot be secured simply by yielding endlessly to any government. This new attitude is responsible for Chamberlain's unwillingness to put into force the Anglo-Italian agreement without waiting for the settlement of the Spanish affair promised by Rome.

While plans may go astray, Europeans now look for a long series of conferences which will help to postpone any warlike action until fall (when wars seldom start), and hope that some truce will be reached which will settle the

Czechoslovakian problem for a period of three or five years.

Europe's diplomatic chess-players envision further conferences during that period which will solve amicably Germany's need for raw materials and afford Berlin the chance to sell freely in world markets, settle Italy's need for capital to develop Ethiopia, and resolve finally the problem in Spain. It is possible that a rough draft of such a plan has been worked out in Europe, and that Russia has been tipped off to it. If that is the case, Russia may be putting pressure on the Japanese to wind

up the China campaign. There is little doubt but that all Europe would like to see that job done in such a way that the China market would be kept open as an outlet for all countries.

World business has reacted to recent tensions as though some amicable solution of pending problems was expected. Long-term commitments are likely to be avoided until the August tensions have passed, but there is still more substantial evidence that the diplomats are working feverishly on a peace program than that they are setting the stage for war this fall.

Retailers' Outlook Good

They have low inventories and there isn't much chance of more markdowns. The weather is the main question mark on their prosperity map.

ON MONDAY of this week, retailers throughout the country looked up at the skies and hoped that the weather was on their side. To them, sunny days would be a bullish business omen—not only for August, but also for the fall months.

They'd had their dose of "weather" in July. In the third week of last month, sales were virtually rained out along the Eastern Seaboard (see tabulation). And, as a consequence, when the Federal Reserve Board publishes its monthly index of retail sales for July, it will make a "worse than expected" comparison with last year.

Otherwise, however, business men can look forward fairly confidently to jovial statistics on the retail front from now

on. For the first five months of this year, retail sales looked bad in comparison with the rising tendency early in 1937. But in October of last year, retail volume, along with everything else, started to drop. Thus, this fall the figures on "% change from a year ago" will look better—based as they will be on the lower volume of the last quarter of 1937. Some retailers even suggest that along about January, instead of minus signs, there will be plus signs.

Volume Still Below '37

But merchants are not being carried away by enthusiasm. Volume is still 8 to 10% below last year, and the experience of 1937 is still fresh in the memory. In the spring of '37, many retailers,



NORMALLY, retailers hold down inventories until they see the "whites of the eyes" of sales. Thus, in 1933, department store inventories lagged a month behind a rise in sales volume; in the 1934-1937 recovery, retailers did not begin stocking up until the fall of 1936—when they went to it with gusto. And now that sales volume has given a sign of turning up again, it is logical to expect that merchandisers will shortly be buyers (as well as sellers). Stocks on hand have been dropping so steadily for 10 months that inventories are admittedly "low."

Rain

DEPARTMENT STORE SALES in the third week of July made a sorry showing—largely because of rain in Eastern shopping areas. For the country as a whole, dollar volume was off 12% from the comparable week of 1937, whereas in the week ended July 16, the drop was only 8%.

Heavy downpours, particularly in the Eastern section of the country, kept housewives indoors, gave salesgirls at merchandise counters many idle moments. This is statistically indicated by the percentage changes in department store sales (relative to 1937) in the 12 Federal Reserve districts:

| District | Week Ended July 23 | 4 Weeks Ended July 23 |
|---------------------|-----------------------|--------------------------|
| Boston | -19 | -7 |
| New York | -13 | -7 |
| Philadelphia | -20 | -11 |
| Cleveland | -18 | -13 |
| Richmond | 8 | -2 |
| Atlanta | Same | -2 |
| Chicago | -15 | -14 |
| St. Louis | -3 | -3 |
| Minneapolis | Same | -2 |
| Kansas City | 5 | 5 |
| Dallas | -4 | -3 |
| San Francisco | 6 | -7 |

Noteworthy is the fact that sales for the four weeks ended July 23 are running only moderately below 1937, despite the poor week of the 23d.

fearing inflationary price rises, stocked up. Then, when sales fell off, they had to cut prices to work off excess inventories. As a direct result of that experience, 1938 has not been marred by heavy markdown or inventory losses. There have been markdowns—of course—particularly on holdover merchandise from last year—but for the most part, stocks have been bought and sold on a hand-to-mouth basis to minimize inventory losses. Indeed, despite a flurry of orders in wholesale markets and a general tendency to increase the size of purchases, most retailers persist in the practice of permitting manufacturers and wholesalers to carry stocks for them.

Inventories Continue to Fall

But heavier buying is inevitable before long—even if retail volume does no better than follow the normal seasonal “up” tendency in the fall. For some six months, consumption has run along at higher levels than production, thus cutting into manufacturers’ inventories. And for nearly a year, retailers have been letting their stocks run low—so much so, that reports have been common at times that stores don’t have out-of-the-way-sizes. And the proof is in

the statistics. Retail volume has been fairly steady in recent months, while inventories have continued to drop off.

The low-inventory position of manufacturers of consumers’ goods was indicated in *Business Week* last month in a chart which showed that non-durable goods production had begun to stabilize (*BW—Jul23’38,p14*). And the conclusion—reached at that time—that an upturn in durable goods would follow seems confirmed by this week’s step-up in steel operations from 37% to 39.8% of capacity.

To merchandisers, the upturn in steel is of basic significance. It carries the suggestion that the decline in employment and payrolls which continued into June was perhaps checked in July. Moreover,

automobile companies already are anticipating a change in trend, which means greater employment in another key industry.

Though prices are far from 1938 levels, big crops will prop farm income (*BW—Jul16’38,p14*). This is indicated by the Department of Commerce statistics on rural retail sales. They have been steady for three successive months.

All in all, the outlook for retailers is promising. Prices have come down to a point where further markdowns are improbable—there is no more talk of buyers’ strikes; inventories are low, and when and if volume expands, a large proportion of the increase in sales will be translated direct to net income (after allowing for the cost of merchandise).

MARKETING ANGLES

FOR LOCAL DRUG LAWS

BY VOTE of its board of directors, the Associated Grocery Manufacturers of America will “in due time” cooperate in sponsoring state and local legislation patterned after the new federal food and drug act (*BW—Jun18’38,p36*). Uniformity of the laws to expedite manufacturing operations is the announced purpose for such cooperation on the part of the A.G.M.A., but the decision was probably spurred along by the introduction into New York’s City Council of a drastic food and drug bill, far tougher than the federal law (*BW—Jul23’38,p18*). A.G.M.A. has also set up a committee of food chemists, representing member-manufacturers, to aid the industry in interpreting both the food and drug law and the Wheeler-Lea Federal Trade Commission act.

ANSWERS ANTI-AD BOOKS

THE RESEARCH PRESS, which announces no headquarters other than “Post Office Box 301, St. Louis, Mo.,” says it has the “first real answer to ‘100,000,000 Guinea Pigs,’ and others of the same ilk.” It calls its answer “Guinea Pigs and Bug-bears,” says it contains “a wealth of information for persons of every age and station” and “a thread of levity running through the entire volume tending to brighten the mentality, and forcefully impress the reader with the facts sought to be conveyed.” Meanwhile this week Hearst publications issued a brochure entitled: “Who’s a Guinea Pig?” announcing a campaign to be conducted by *Cosmopolitan*, the *American Druggist*, and Hearst newspapers to resell “25,000,000 doubters” whose faith in advertised brands has been shaken by consumer propaganda.

BIG FRUITS OF SALES TAX

SALES TAXES are too productive for politicians to overlook, and it appears that

retailers are in for a whole lot more of the same. Just how productive they are was indicated by figures released this week by the Federation of Tax Administrators. Although enacted in only 23 states, the sales tax yields \$350,000,000 annually. Bigger yields are scored by the gasoline levy (\$760,000,000 from all 48 states last year) and the motor vehicle license tax (\$359,783,000 in 1936). Income and property taxes are in fourth and fifth places.

WHERE FOOD DOLLAR GOES

WHILE THE FARMER is likely to be surprised to learn that he is credited with snatching 47.1% of every consumer dollar spent for dairy products, “Who Gets Your Food Dollar” wasn’t written for him. Its authors, Hector Lazo, executive vice-president, and M. H. Bletz, research director of the Cooperative Food Distributors of America, say that the book, published by Harper & Bros. this week (\$1.25), was written for the housewife. Actually, food manufacturers are the ones most likely to benefit from its publication, for it contains many a potent argument, valuable to writers of institutional copy for food accounts, exploding the myth of the high cost of distribution. It shows, for example, that the food dollar is shared in the following manner: farmer, 36.6%; broker, 1.6%; transportation agent, 7.3%; manufacturer, 27%; wholesaler, 5.3%; retailer, 21.7%.

ANALYZES PRICE LAWS

RECOMMENDED READING: The summer edition (Vol. II, No. 2) of “Trade Regulation Review,” a quarterly service published by Reinhold P. Wolff, 535 Fifth Ave., New York City. In this issue Dr. Wolff analyzes in considerable detail those state laws forbidding sales below cost (page 20), and court decisions rendered under these acts.

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INTERNATIONAL TRUCKS

O.K. Loss Leader Law

California Supreme Court upholds unfair trade practices act, forbidding sales below cost.

PRICE CONTROL ENTHUSIASTS in California got what they wanted last week when the state supreme court unanimously upheld the amended unfair trade practices act, prohibiting retail sales below cost. ("Cost" in the law is defined not only to mean cost of the merchandise but to include nine other elements: labor, rent, depreciation, selling cost, maintenance, delivery, credit losses, interest on capital, and all taxes, insurance and advertising.)

Immediately, secretaries of the drug, grocery, tobacco and liquor dealers' trade associations went into a huddle to set up machinery for rigid enforcement of the law, and business can expect an aggressive effort to bring California retailers into line.

In spite of efforts by the various trade groups to check below-cost selling under the act, little progress has been made outside of the San Francisco area. State officials designated by the act to bring court action against "offenders" have been somewhat hesitant to move until constitutionality of the measure was determined. Invalidation of the original California law by the appeals court last winter (*BW—Jan 8 '38, p14*), together with the federal court decision declaring unconstitutional Minnesota's law requiring sales at cost-plus-10% (*BW—May 7 '38, p25*), had put something of a crimp in the price control efforts of California independents.

Company Admits Charges

The state court's ruling on the unfair practices act was in the case of the Wholesale Tobacco Dealers' Association vs. The National Candy and Tobacco Co. (one of the association's 20 members). The National candy concern, of Los Angeles, admitted all

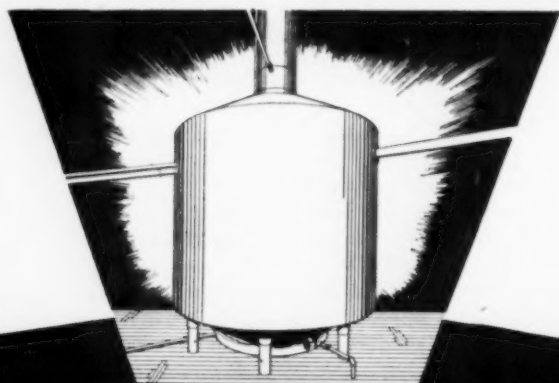
charges brought against it by the trade group (selling products below cost, discriminating on price in various stores, and allowing secret rebates—all for the purpose of "injuring a competitor"), but challenged constitutionality of the law. The superior court in Los Angeles held it constitutional, and an appeal was taken to the supreme court.

In a companion case, *Balzer vs. Caler*, on appeal from the lower court which had held the statute unconstitutional last winter, the supreme court decided that constitutionality of the law was not involved because there had been no proof that below-cost selling was done to injure competitors. Since this case was initiated in the state courts, the law was amended (*BW—Jul 27 '37, p44*) so that the act of selling below cost, together with proof of injury to competitors, is presumptive evidence of intent to injure. The supreme court held, however, that since the *Balzer vs. Caler* case was initiated before the 1937 amendment, its decision should be based on the law prior to 1937. It affirmed the decision of the lower court but made clear that the ruling did not involve the constitutionality of the law.

Essence of the supreme court dictum is that, while the economic wisdom of the act may be debatable, the legislature had the right to pass it. "It is our opinion," wrote Chief Justice William H. Waste, "that neither the due process clause, nor any other constitutional restraint, state or Federal, prohibits the legislature from acting to curb predatory merchandising practices which tend to destroy fair and open competition."

High Court Appeal Doubtful

It is doubtful whether an appeal will be taken to the U. S. Supreme Court. The antis are too disorganized to raise the necessary funds, and the chain stores, who could finance an appeal and who don't particularly love the law, appear to be sufficiently satisfied to let the matter rest. Such at least was the attitude of the antis last spring when the Tennessee Supreme Court—the only other state high court to rule on the acts—upheld the validity of the Volunteer State's law. Since an appeal to the highest federal judiciary cannot be taken from a state court decision repudiating the enactments and since there is no evident desire to appeal affirmative decisions, it looks as though it will be a long time until the U. S. Supreme Court finally settles the legality of these below-cost selling laws now enacted in various forms in 21 states (*BW—Sep 18 '37, p28*). But when that time comes, the betting is that these laws, like the price-fixing fair trade laws, will get an official O.K.—at least, in basic principle.



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Coca-Cola Victory

Pepsi-Cola loses in Canadian court, but both companies are getting along nicely.

COCA-COLA AND PEPSI-COLA, the nation's number one soft drink and its persistent—but still distant—competitor, have been engaged in a to-the-death battle for some seven or eight years. Very probably they'll be at it for at least that many more, too.

So far the struggle hasn't hurt either of them very much. Last year Coca-Cola piled up the biggest net profit it's ever had—nearly \$25,000,000—and chalked up more than \$60,000,000 in sales. And Pepsi-Cola, with its big-bottle-for-a-nickel policy, had swelled its volume up to the point where it could claim nearly 25% as much as Coca-Cola's.

The latest skirmish ended in victory for Coca-Cola last week, when the Coca-Cola Co. of Canada won a permanent injunction restraining the Pepsi-Cola Co. of Canada from infringing on its trade mark.

Row Taken into Courts

The Coca-Cola-Pepsi-Cola row got under way in 1931, when the three candy store chains of Loft, Inc.—Loft, Happiness, and Mirror—hung up signs at their soda fountains, "This store does not serve Coca-Cola," and put in their own Pepsi-Cola instead. (The Pepsi-Cola Co., which was previously controlled by Loft, Inc., is now independent.)

In 1932 Coca-Cola sued to restrain these stores from serving substitutes when customers asked for Coca-Cola. Pepsi-Cola countered with a suit for \$2,000,000 which charged Coca-Cola with interfering with the contract between Pepsi-Cola and Loft, Inc. According to the charges, Coca-Cola had sent agents into the Loft stores, where they ordered Pepsi-Cola, then audibly maligned it.

The candy store chains joined in with similar suits of their own—Loft for one of \$5,000,000, Happiness for \$2,000,000, and Mirror for a scant \$1,000,000.

Coca-Cola Claims Reward

Likewise there were libel suits for \$250,000 each brought against Coca-Cola by the three candy store chains. Pepsi-Cola was at that time (1932) offering a reward of \$10,000 for the detection of any dealer who substituted Pepsi-Cola for any other five-cent drink.

Coca-Cola immediately wrote in, claiming a reward of \$30,000, and stating that it had been discovered that Pepsi-Cola was being passed off for Coca-Cola in 10 Loft stores, six Hap-

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pininess stores, and seven Mirror stores. Most of these suits were ultimately dismissed.

The Canadian suit was based simply on the facts that Coca-Cola registered its trademark in Canada, in November, 1905, and that a beverage of the same type (whose trademark was registered November, 1906, though it wasn't sold in Canada until 1934) was being sold in Canada under the name Pepsi-Cola. Coca-Cola presented no other evidence than that. Since the case was not concerned with the passing off of one brand for another, the court held that there was no need to show specific instances of confusion or deception.

"This case is of some general importance because it appears that many trademarks, applied to non-alcoholic beverages, practically similar to the plaintiff's mark, or variants of it, have at one time or another been registered or used, in Canada," the court said.

Canadian Decision Appealed

In the U.S. there have been scores of trade mark infringement suits brought by the Coca-Cola Co. against competitors—including such names as Koke, Chero-Cola, Taka-Cola, Coca, and Cola—but not including Pepsi-Cola. In most of these cases, Coca-Cola was upheld. The Canadian decision has been appealed to the Canadian Supreme Court by Pepsi-Cola. The ultimate outcome may determine what will be the next foray in the Coca-Cola-Pepsi-Cola battle in the United States.

Ignore D.C. Tax

Washington has a levy on gross receipts, but it's wrapped up in confusion.

CONFUSION AMONG MANUFACTURERS over the District of Columbia's gross receipts tax is still rampant. Last month the United States District Court for the District of Columbia found the 1937 tax unconstitutional. But that simply meant that manufacturers wouldn't have to pay a tax on business done in the District from July 1, 1936, to June 30, 1937; for the new 1938 version of the tax was still in effect.

This is the act that is distinguished by its requirement that everyone "carrying on or exercising for gain or economic benefit, either direct or indirect, any trade, business, profession, vocation, or commercial activity" in the District of Columbia must obtain an annual \$10 license, file an annual return, and pay a tax of 3% on his receipts in the District.

Originally, the Toilet Goods Association, which was more audibly concerned over the tax than the other trade associations, suggested that its members ignore the tax (*BW—Nov 13 '37, p14*), since most of them sold in the District through salesmen, and had no offices, warehouses, or bank accounts there.

The new regulations for the tax, issued last month, clarified that point.

"Persons having no office or place of business in the District," the regula-

tions said, "but who engage in business through an employee, agent, or other representative who solicits business therein, shall report the entire gross receipts from business resulting from such solicitation. That portion of the gross receipts representing selling expenses (including advertising expenses, etc.; and where delivery is made within the District, that portion of the receipts representing delivery expense shall be considered a part of the selling cost) shall be allocated to the District." Deductions for proportionate fabrication costs were also allowed. All mail orders were exempt.

The constitutionality of the 1938 statute is to be tested this fall, and two cases are pending in the courts of the District. In the meantime manufacturers still appear to be ignoring the tax, clarified or not.

Auto Union Gropes

Seeks way out of dangerous situation created by suspension of officers.

U.A.W. STOOD for Undecided Automobile Workers this week, as the various factions involved in a direct split between President Homer Martin and several of his top international officers felt their way toward a showdown. Indications were that Martin would hold a sufficient majority in the executive board to expel or demote the four



RIOT MARKS AUTO UNION TRIAL—At the left, a scene last week in the Detroit headquarters of the U.A.W., before the trial of the union's five suspended officers was continued to Aug. 6. A Martin door-guard (left) is swinging at supporters of the five suspended officers, who demanded admission to the



trial. At the right, Paul (Tiny) Moore, biggest of the Martin guards—he's six feet six, weighs 369 pounds—puts on a demonstration that was part of a joke perpetrated by newspaper reporters on an unsuspecting photographer during a lull in the trial of the officers.

Wide World

LABOR ANGLES

executives on trial (one already has been expelled). Following such action, if the anti-Martin faction is to be believed, a large number of locals will set up as a separate concern, much as C.I.O. did when it split off from the A.F.L.

It also was evident that Martin and other executives were thinking hard about eventual cost of the quarrel. Developing slowly, the fight first took the form of suspensions of five officials, by Martin, on charges that they had tried to seize control of the union in pursuance of a scheme devised by the Communist Party.

Much of the opposition to Martin arises from ordinary factional causes. In whole sections of the U.A.W. domain (Toledo's 32 locals are a good example) the locals rose to the defense of the suspended officials.

Appeal to C.I.O. Leader

Both sides have appealed to John Lewis—Martin and his supporters asking him to stay out of the scrap, and the anti-Martin group declaring that a majority of the members wanted C.I.O. to step in. To date, Lewis has feared to establish such a precedent. C.I.O. sentiment, however, is overwhelmingly against Martin.

By the middle of this week, with the trial of the U.A.W. executives recessed until Aug. 6, there still was a chance for compromise between the factions. The "middle group" led by Walter Reuther has become increasingly important. As executive after executive has issued statements and denials, most of them have lost, rather than gained, in total strength. Reuther has gained stature steadily, principally by keeping his mouth shut. The weight of his locals, more than anything else, will determine whether a majority will line up behind Martin or against him. Reuther has been against "splitting" since the beginning of the intra-mural war, and had hoped that a compromise could be reached.

Auto Factions Clash

Top men in the C.I.O., up to mid-week, still held that a split could be avoided if direct clashes of words and fists could be avoided. Following the uproarious beginning of the executives' trial last week (when Larry S. Davidow presented the charges against the suspended executives, George Addes said Davidow was a God-damned liar, and both sides insisted that the words go into the reporter's record verbatim), Martin called a recess to think it all over.

It is obvious to everyone in Detroit and to nearly everyone elsewhere that the U.A.W. circus is doing the labor movement no good. The C.I.O. is worried, not only because of the rupture in

STATE VS. U.S.

THE LABOR SITUATION at Newton, Ia., the Maytag town (*BW—Jul 23, 38, p15*) is muddled enough to indicate a long-drawn, obstinate case—one that may set precedents for the rest of the country. This week, NLRB's wings were temporarily clipped by Gov. Kraschel, who "ordered" the board to abandon its hearings on the ground that they were disturbing the peace which his National Guard has been maintaining in Newton for a week. But the NLRB won't be relegated to secondary consideration without a stiff battle, in Iowa or in any other state. From time to time, postponement of hearings, or even transfer of hearings to other points, is quite possible in critical situations, such as existed in Newton this week, but sooner or later, the United States Supreme Court will have to decide whether state police powers during a period of martial law or the federal Wagner act will prevail in labor disputes.

STRIKE HELPS UNIONS

MEANWHILE, the unions in and around Newton are using the Maytag strike to speed signing of contracts elsewhere. Employers in the St. Louis-to-Des Moines area are being promised peaceful production if they sign up—unrelenting warfare if they don't. Both C.I.O. and A.F.L. unions in the district say that the Maytag battle has been good for their business thus far, but that it must continue to be non-violent. Relief doles, already arranged for the Newton strikers, aren't much of a drain as yet—but the union (United Electrical, Radio & Machine Workers, a C.I.O. affiliate) expects at least another month of slow negotiation before a permanent agreement on the wage issue is reached.

union discipline but also because of the oncoming Michigan primaries and the public's "fed up" feeling. A.F.L. is, in part, regretful that any union should make such a national show of doing its laundry, but there are elements in the A.F.L. which watch the fight with satisfaction. These elements hope that the C.I.O. will suffer and the A.F.L. gain, that Martin will lead his group back to the federation, and that craft unionism will prove to be the ultimate winner.

Realistic observers, however, do not see much chance of any accretion to the craft unions, no matter how the U.A.W. lineup is rearranged. The rank and file of the automobile locals is committed to industrial unionism, and in fact threw

INDUSTRIAL RELATIONS EXPERT

SEVERAL GROUPS OF MEN in different parts of the country are planning to announce new industrial and public relations services, on an independent basis. First to announce probably will be Ben Golden and Dick Wolf, former labor board associates who have up to this time operated as advisers, mediators, and arbitration aides in the New York area (*BW—May 8, 37, p26*) and who are going on a national basis. Other experienced men in public relations, advertising, and personnel work are planning to enter the field, and several announcements are expected shortly.

TAKE PAY IN BONDS

A NEW WAY to avoid pay cuts and payless layoffs is reported by *Transit Journal News* from Chicago. The Rapid Transit employees have agreed to accept company bonds—trustee's certificates of indebtedness, to be precise—in an amount equal to 12½% of their pay for at least six pay days between now and Dec. 1. The certificates will be redeemable within six months of issue, with 5% interest.

DRIVE IN TEXTILE INDUSTRY

THE NEW ORGANIZATION DRIVE by the Textile Workers Organizing Committee (forecast in *Business Week* April 16, pp. 22, 23) is getting along. Having got their preliminary machinery set up in Washington and in the South (at Charlotte, N. C.), Sidney Hillman, Emil Rieve, and Solomon Barkin are holding a two-day conference with some hundred representatives from New England textile mills this week-end. Plans are being laid to request early action by a woolen and worsted industry wage board, under the new wage-hour law, and a big organization campaign is planned for early inauguration.

the A.F.L. overboard rather easily after U.A.W. sprang into being three years ago.

It is not impossible that the huge, sprawling automobile union will divide for a time into two unions—and that later compromise will bring the two halves together again. Whether there are one, or two, headquarters groups should make little difference in the practical management of the locals and in arranging contracts with employers, because the unions' business is almost entirely local. Even today, and for months past, many locals have run their own affairs smoothly without any assistance whatever from the international—and in fact without wanting any such assistance.

Milliners Expect Bright Fall

Doll hats seem to be just what the doctor ordered, and the trade looks forward to a healthy season, with styles more elegant and prices higher.

THE MILLINERY TRADE is looking up. Optimism pervades an industry that has come from a 1927 gross of \$207,000,000 to a low of \$89,000,000 in 1937. The formation of the National Council of Millinery Associations and of the Millinery Merchandising Executive Association, the work of the Millinery Stabilization Commission, higher price levels, and new style trends like the doll hats have already restored confi-

dence and brought about indications of a decided upward swing.

For one thing, the great popular retail \$1.98 seller, which accounted for 30% of the volume, has advanced to a wider range up to \$3.98, providing immediate increases in volume sales.

The Fall Festival Millinery Fashion Show at the Hotel Astor in New York this week, under the auspices of the Millinery Stabilization Commission,

launched the fall wholesale season before a capacity audience. Hats were displayed by 20 better makers and model houses (\$8.50 and up each), and by an equal number of medium-priced manufacturers in the \$3 and up grades. The showing stressed trimmed millinery to a degree unknown in years, including fur-trimmed effects up to \$30 each, denoting a revival of elegance and formality. Under the theme, "Miss America Budgets Her Millinery Wardrobe," popular-priced concerns displayed a wide variety of sports, town, and formal hats. Coordinated styles in dresses, coats, suits, hosiery, bags, shoes, and costume jewelry worn by the mannequins at the millinery fashion show indicated, too, unusual attention to the

Lesson for Publicity Men



OF THE COUNTLESS TONS of publicity material with which U.S. big business barrages harassed magazine and newspaper editors, 99% goes into the wastebasket. For rare is the publicity release that tells, or the picture that shows, something new. Worse, most of the releases, most of the pictures, are incredibly dull. *Business Week* here breaks a rule, publishes a publicity picture that shows nothing new. The purpose: to demonstrate to publicity men (and executives who hire them) that such pictures can at least be made striking.

This picture comes, incidentally, from Continental Oil Company, shows the company's Ponca City (Okla.) refinery. The accompanying release (not up to the picture) suggests that it be titled "From Wheat Farm to 'Tank' Farm." For, twenty years ago, the land was a prairie wheat farm. Today, the refinery's tanks have a storage capacity of 421,641,948 gallons. The old farm's ravine has been made into a lake to supply and receive back the 43,000,000 gallons of water used daily to cool great stills. And the former barnyard is now an athletic field.

ensemble idea. Never before has so much attention been given to correlated fashions and color harmonies in women's apparel.

On the same day, the Millinery Merchandising Executive Association held a style clinic at the Waldorf-Astoria in New York. The program included discussions by noted authorities in the millinery field and by fashion editors of trade and consumer magazines.

The M.M.E.A. is a recently formed organization of buyers in stores conducting their own millinery departments and represents an annual \$26,000,000 of millinery purchasing power. It will endeavor to correct destructive practices, devise means for improving the millinery business, and bring individual members into closer contact with each other. It will also set dates for the introduction of certain types of merchandise.

The new National Council of Millinery Associations was formed in Chicago on July 7 by the Millinery Manufacturers of New Jersey, Inc., and co-operating groups.

In 1927 there were only three wholesale markets outside New York; in 1937 there were 14, including Canada and California. This expansion has created new national problems and the need for a new organization to cope with them. Hence the National Council was formed. The combined outside markets still represent only about 30% of the gross wholesale millinery volume, and New York about 70%.

Hope Trend Will Aid Trade

The doll hats (miniature berets, turbans, and tricorner) mark a radical 1938 millinery trend, calculated by many business authorities and leading stylists to play an important part in the uplift of the industry. The style is definitely "dated" so that last year's hats appear *passé* against them. The better makers endorse the doll hats, and early consumer demand for both fine and medium grades is expected to sustain wholesale call well beyond Sept. 15. Felt bodies as well as fabrics are used for the doll hats, which frequently require ostrich tips (dormant since the *Eugénie* vogue), veils, ornaments, and other trims.

The small hats perched over one eye expose the head, and so will very likely necessitate new hair treatments.

Another constructive effort by the Millinery Stabilization Commission to restore prestige and volume to the millinery trade is the inauguration of National Retail Fall Millinery Week, commencing Sept. 12. Peak stocks of the new modes and intensified window displays, newspaper advertising, and promotional are expected to make women hat-conscious and create a greatly increased seasonal buying sweep.

A Specialist in *getting YOUR money's worth*

THE successful insurance agent is a specialist, with years of experience analyzing special problems and risks like your own.

He draws on this knowledge when, as your insurance purchasing agent, he buys for you the most efficient coverage at the minimum cost. And he draws again upon experience when claims occur and he acts as your representative.

His business is built on getting you *your* money's worth, in protection and prompt payment.

Insurance that minimizes the agent's function may lessen your protection, your service. Insurance is dollar protection. There are no cut-rate dollars for sale.

Why not let an experienced agent or broker take a look at your business from an insurance point of view? Like a check-up by your family doctor, it can do no harm—may save your business life.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, *President*

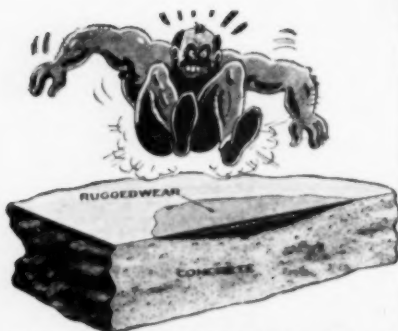
METAL BUILDINGS

Fire and Weather Proof!

Rigid, permanent construction—according to A.I.S.C. specifications. May be altered or dismantled and re-erected with almost 100% salvage. Insulated if desired. Standard or built-to-measure. Find out why Maryland Metal Buildings can be built and maintained at lowest cost per square foot of floor space!

MARYLAND METAL BLDG. CO., BALTO., MD.

MARYLAND METAL BUILDINGS



REPAIR CONCRETE TO A TOUGH, FEATHER EDGE!

RUGGEDWEAR, made with cellulose, is the one resurfacer that may be depended upon to make a smooth, solid, permanent patch, right up to a feather edge.

Stop accidents . . . improve plant efficiency . . . use this durable material for repairing holes, ruts and cracks in concrete floors. Stands up under the heaviest floor traffic. No chopping or chipping required. Merely sweep out the spot to be repaired—mix the material—trowel it on. Holds solid and tight right up to the irregular concrete edge . . . leaves no joint or crevice to become chipped and filled with dirt.

Provides a firmer, tougher, smoother, more rugged wearing surface. Dries fast. Used for patches or over an entire area . . . indoors or out. Costs only 10c to 14c per square foot.

RUGGEDWEAR is the only resurfacer made with Cellulose.

MAKE THIS TEST!

FLEXROCK COMPANY

808 N. Delaware Ave., Phila., Pa.

Please send me complete information . . . details of FREE TRIAL OFFER—no obligation.

Name . . .

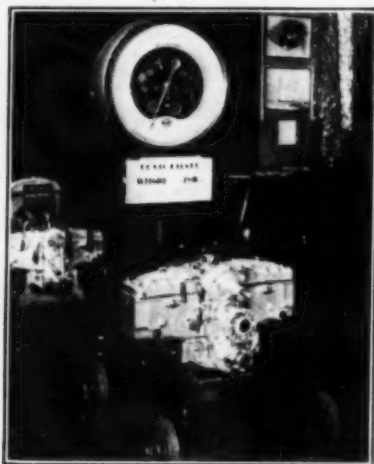
Address . . .

City . . . State . . .

NEW PRODUCTS

New processes . . . New designs . . . New applications of old materials . . . New twists on old ideas . . .

Southern California steps into the national diesel picture with the announcement that Northill Co., Inc., Los Angeles, has acquired exclusive national



manufacturing and sales rights for the Covic Diesel Engine. Developed in England, the 280-lb. horizontally opposed engine has about the same power-weight ratio as present gasoline truck engines.

Two widely differing rubber developments are coming from the laboratories of Collord Inc., 7049 Lyndon Ave., Detroit: (1) the new SRL (Seamless Rubber Lining) Method of spraying liquid rubber on and in tanks and other containers and achieving a multi-ply lining securely bonded and free from air bubbles and consequent blisters; (2) the new Rug-Kling, a meshed fabric impregnated with rubber which "will put four-wheel brakes under slippery rugs."

What air traveler would not be relaxed in the new streamlined airplane lounge chair developed by Mishawaka



Rubber & Woolen Mfg. Co., Mishawaka, Ind.? Seat, back, and armrest cushions are all upholstered in "latex foam," a sponge-rubberlike material made by the same company.

With a new Stereoly Attachment, just announced by E. Leitz, Inc., 730 Fifth Ave., New York, owners of Leica Minicameras may take three-dimensional stereoscopic pictures in color or black and white for projection by the Polaroid method of polarizing light.

Stains which come from handling hectograph ink, ribbons, and carbon paper dissolve like magic from fingers when Pax Cleansing Cream is applied. G. H. Packwood Mfg. Co., 2038 Walnut St., St. Louis, makes it especially for the purpose.

To match "airplane luggage" and at the same time to provide the utmost in accessibility, Winship Co., Inc., 400



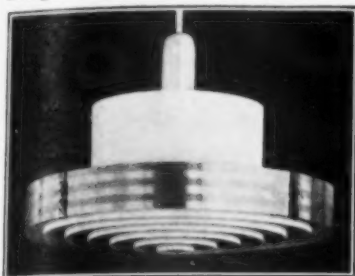
First St., Utica, N. Y., designed the new Winship line of professional model brief cases in a variety of sizes and coverings.

First installation of a new Induction Type Electric Melting Pot for low-melting-point metals, developed by Detroit Electric Furnace Co., Detroit, is in the plant of Michigan Die Casting Co., Detroit. Melting speeds range from 500 to 800 lb. per hour. Reports indicate that the furnace is well insulated and that the temperature of surrounding working space is kept to a new low.

One of the meanest jobs in a spray-paint shop is to clean the spray booth of old accumulations of paint and lacquer. Harris Soap Co., Buffalo, N. Y., has a new colloidal preparation called Boothcote which is sprayed on any surfaces to be protected. After the painting or lacquering operation,

dried accumulations may be peeled off in sheets like so much paper.

Patents have been applied for on the new Luxlite unit developed by Moe-Bridges Corp., 220 N. Broadway, Milwaukee.



Practically all surfaces are vertical, minimizing the collection of dirt and dust, distributing direct and indirect light without glare.

New Stanzoil Gloves, made of synthetic rubber, make it possible for industrial workers and housewives to work safely with gasolines, greases, acids, and caustics which have always been the enemies of orthodox rubber gloves. Pioneer Rubber Co., Willard, O., makes them.

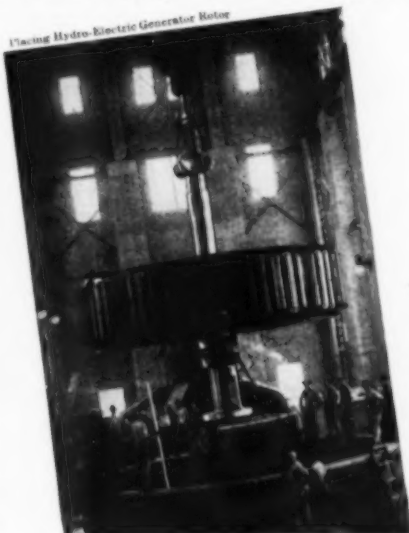
Executives who like to type confidential memoranda themselves, writers who have to punch keys for a living, travelers who have been forced to use wobbly



tables, knees, and other makeshifts to support their portable typewriters will all welcome the new Portadesk. Made by Portadesk Co., Inc., 206 Lexington Ave., New York, it looks like a suitcase when closed, provides a desk 24 x 19 in. when open.

INSTALLATIONS...OR CONCRETE MIXERS

1/2" Sizing Hydro-Electric Generator Motor



MARINE-YACHT-INLAND
TRANSPORTATION
FINE ARTS • JEWELRY
FUR • REGISTERED MAIL
AUTOMOBILE AND
FIRE INSURANCE

ATLANTIC
1842
MUTUAL INSURANCE CO.

Atlantic Building, 49 Wall Street, New York

Baltimore • Boston • Chicago • Cleveland • Newark • Philadelphia

ASK YOUR BROKER ABOUT ATLANTIC INSURANCE

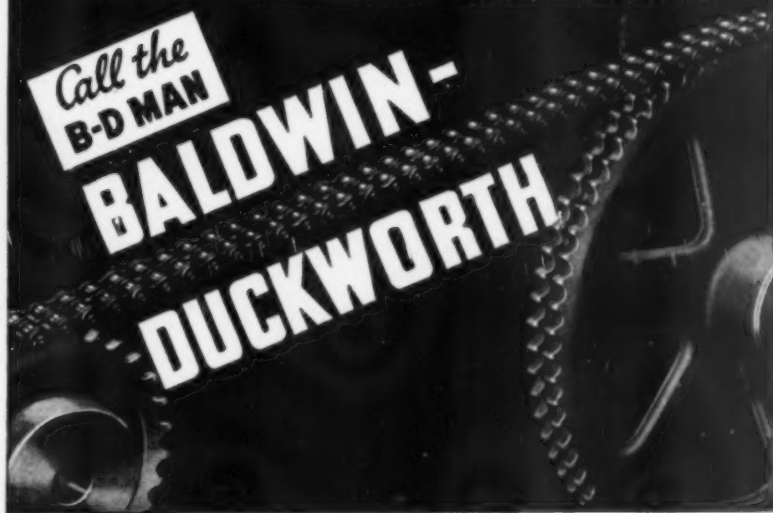
IN YOUR INDUSTRY

Slippage costs money. Baldwin-Duckworth positive Roller Chain Drives cut power consumption and maintenance costs.

BALDWIN-DUCKWORTH CHAIN CORPORATION
SPRINGFIELD and WORCESTER, MASSACHUSETTS

Call the
B-D MAN

**BALDWIN-
DUCKWORTH**



Auto Makers' Guess

Looking ahead to 1939, they see nothing sure but some things probable.

DETROIT (Special Correspondence)—No worse—and possibly up to 20% better—than 1938, is the present consensus of guesses among leading automobile manufacturers on the outlook for 1939 production and sales. The curve of automobile business has apparently at least flattened out, but so far it has shown no violent upturn, nor does the industry expect it.

June and July automobile sales, for instance, apparently averaged out to a seasonally normal decline from May totals. If the industry were to show a sudden increase in sales this fall and winter, where would the business come from? An analysis by one recognized company statistician indicates that most of the good 1936-37 volume increase came from the industrial worker.

Normally representing about one-fourth of the market, for automobiles, new and used, the industrial worker during 1936 and 1937 bought around three to four times the number of cars he usually does, whereas the increase in sales to professional men, farmers, business men, etc., only rose 12 to 15% above the 1935 figures.

Much of this increase in industrial worker purchase volume, the industry feels, was not sound and cannot be used as a guide to 1939 possibilities. It was brought about by a combination of three factors: (1) Sudden increase in wage levels and reemployment, resulting in temporarily vastly improved worker morale, since wages increased much faster than cost of living. (2) Fear of impending price rises—pre-

cipitating premature car purchases by workers. (3) Large demand for used cars by industrial workers, raising the prices of used cars and lowering the differential between used and new cars—making the latter more than normally attractive buys.

None of these three factors is present today. The wage scale trend is slightly downward, if anything, and men with high wage rates and no jobs don't buy autos. The chance of building up workers' morale isn't exactly rosy now. Neither are impending price rises a factor in the business of selling automobiles today. The apparent course is downward rather than up.

Used Car Stocks Relatively High

Again, while used car stocks have been materially reduced from 1937 levels, they are still high compared with the rate of car movement—and particularly when compared with the new car stocks in dealers' hands. When the worker dropped out of the market, a big part of the market went with him.

Dealers on the one hand are still trying to get out from under on cars on which they over-allowed, while on the other hand trying to drive down current allowances and to increase the new-car to used-car differential.

The industry is looking for a slow and steady rise in automobile sales—as in 1934 and 1935—beginning this fall and continuing throughout the 1939 season, to possibly top years in 1940 and 1941. For the time being car manufacturers apparently plan to continue to operate on a 30-day basis, setting October's production on September's showing, basing November on October, etc. New models are not being rushed for unexpectedly early introduction, despite reports to the contrary.

Beer Seeks Friends

Advertising copy stresses moderation and law enforcement, asks public cooperation.

DETERMINATION OF BREWERS to build up public friendship as a dike against any return wave of prohibition moved into a new phase this week. National magazines carried advertisements of the United Brewers Industrial Foundation, the organization which consecrates members to moderation and asks the support of the citizenry.

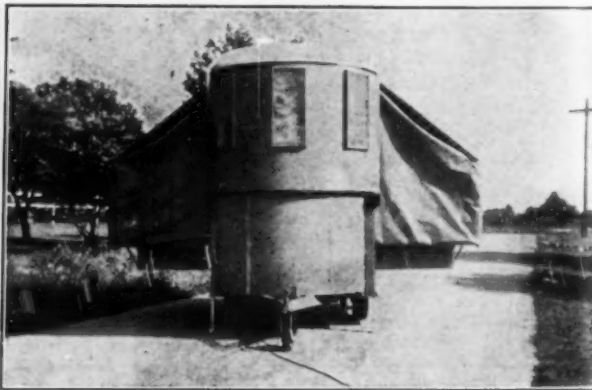
First copy of this series appears in *Cosmopolitan*, *Time*, *Newsweek*. It boosts beer as a remedy for "the evil of too much alcohol," calls attention to the brewers code, pledges the membership's aid to law enforcement, asks consumers to patronize law-abiding retailers.

Ads Placed in Local Papers

Individual brewers are backing up the national campaign by advertising in local newspapers. These ads display the trade mark of the foundation and follow the theme of the national drive. Last spring, the Foundation went out into rural counties (where the dries have always drawn their strength) and placed copy in country newspapers. A sample ad shows a hunter drawing a bead on a duck labeled "beer" but ignoring three sinister mallards labeled "bootleg liquor," "law enforcement," "sales to minors." The caption says, "Wait, mister! You're aiming at the wrong duck!"

Supplementing these publicity efforts, the Foundation's field men have gone out for law enforcement. In Kansas, where beer is legal and the hard stuff circulates on a bootleg basis, the

A Trailer That Blows Up When It's Time to Camp



ONLY 5 FEET 10 INCHES high when ready for travel, this unique trailer, at the touch of a button operating a small motor, increases its height to 8 feet 10 inches, and its width from 5½ feet to 12½. The trailer was developed by A. H. Klesa, dirigible and mold design engineer for an Akron tire company. Made of Niralumin, the light-weight Zeppelin material, it

weighs less than 1300 pounds, yet has room for two double beds, complete kitchenette with 4-burner cook stove, 50-lb. ice box, compartments for dishes, seating accommodations for ten persons and a dining table that will accommodate eight, two vanities, hot and cold water, four clothes presses, compartments for hunting and fishing equipment, eight screened windows.

Foundation received an accolade from the *Emporia Gazette*, published by William Allen White. It pointed out that Foundation workers had laid evidence of law violations before enforcement officials and that "definite results had been attained."

Similar activity is evident in other states. Georgia and Virginia have received special attention. The Foundation will not disclose how many men it has in the field or just how they work. But it admits that they furnish evidence on which authorities act to prevent bootlegging in dry territories and to expel bad actors from the wholesaling or retailing of beer.

The United Brewers Industrial Foundation, which retains Edward L. Bernays as public relations counsel, is an interesting outgrowth of the present desire of industry for better relations with the public (*BW—Nov 6 '37, p. 50*). It was fathered by the U. S. Brewers Association, hence was eyed askance by the other two national trade organizations, American Brewers Association and Brewing Industry, Inc. Individual members of these associations are aiding the Foundation's drive.

Urge Anti-Union Law

California employers sponsor state constitutional amendments for strict control.

CALIFORNIA BUSINESS appears to be facing an important showdown in labor relations, with far-reaching results for all who do business in the state.

About the middle of August, a hot battle is due to get under way over the proposed amendment to the state constitution (to be placed on the November ballot) regulating union activities.

"Open shop" Los Angeles is chiefly responsible for the fever of labor regulation which is running high in the state. An organization of housewives, The Women of the Pacific, outgrowth of the feminine foes of Dave Beck in Seattle, first worked up sentiment for a red hot initiative which would require unions to incorporate, forbid strikes for union recognition or the closed shop, and practically eliminate picketing. With A.F.L. and C.I.O. joining forces, labor, especially the maritime unions, building trades, painters, iron trades and cannery workers, worked up a corresponding fever of opposition.

Business Backs Milder Plan

The cooler heads among the Southern Californians, Inc., top organization for coordinating the employers' open shop defense in Los Angeles, sensed dangers in the women's drastic measure and it has failed to receive the 186,000 voters' signatures necessary for certifi-

cation on the November ballot. In its place Los Angeles and San Francisco employers are sponsoring an initiative of their own, a much milder measure, which doesn't attempt to force incorporation but does ban sitdown strikes, picketing to secure closed shop, secondary boycotts, and hot cargo action.

The milder proposal, which will appear on the ballot, has the formal support of San Francisco business and industrial groups although it's more drastic than most San Francisco executives want. It will be promoted by the California Committee for Peace in Employment Relations, an offspring of the Los Angeles-San Francisco coalition.

California farmers will serve as front line troops in the battle for the measure. The powerful Associated Farmers, Inc., which has developed a technique

for "bringing pressure to bear" on its city connections, is in the scrap hot and heavy.

Because Los Angeles business is inclined to be complacently optimistic over the outcome of the fight, initial appropriations of money haven't been large. It is known, however, that an advertising agency has prepared a \$500,000 campaign designed for use if sample tests reveal public sentiment strongly opposed to the initiative.

Measures similar to the one sponsored by California employers are being initiated in Oregon and Washington. Probably the best chances of passage exist in Oregon, where bitter jurisdictional wars in the lumber industry and publicized prosecutions of teamster officials and their "goon squads" have created much anti-union sentiment.



Piston rings made by the American Hammered Piston Ring Division of Koppers Company are now used in the largest and the smallest airplanes. They were installed in the big Russian ship recently built in Baltimore and they are standard equipment in the little "Cubs."

One recent order received by this division from an aircraft factory was for 50,000 rings. The American Hammered Piston Ring Division also makes rings of every size in every type for every automotive, industrial and marine use.

KOPPERS COMPANY · PITTSBURGH

Boiler and Power Plants · Castings · Coal and Coke · Coal Cleaning Plants · Coke and Gas Plants · Creosote · Dehydration Plants · DHS Bronze · Fast's Couplings · Fire Hydrants · Industrial Chemicals · Municipal Incinerators · Piston Rings · Plate-Work, Tanks · Purification Systems · Recovery Plants · Sewage Disposal Equipment · Ships and Barges · Roofing · Tarmac Road Tars · Tar Products · Treated Timber · Water Gas Generators · Waterproofing · Valves

K O P P E R S

There's Gold in Golden Gate Fair

Coast business men sit down with pencil and paper and do some satisfactory figuring on what to expect from San Francisco exposition in 1939.

FOR SPONSORS of the Golden Gate International Exposition, the cloud of recession appears to be showing a silver lining. Executives on the Pacific Coast (particularly in California) are beginning to look upon the 1939 fair in San Francisco Bay as offering a possible bridge to better times. With this hope in mind, they're doing some brass-tacks figuring on what the exposition should bring to the Coast in the form of cash.

The total take on which everyone seems agreed is \$400,000,000, of which business in the San Francisco Bay area should get \$240,000,000. These figures represent total expenditures of visitors to the fair and are based on (1) the 1915 exposition experience, (2) the Chicago show, and (3) expected increases in the tourist traffic.

Figuring Number of Visitors

Californians, Inc., a promotion group that knows all there is to know about the tourist business in the Golden State, estimates 4,000,000 out-of-state visitors next year—about double the usual number. This figure is considered conservative in view of the fact that several hundred conventions, national and state, have been lined up for the exposition period (Feb. 18-Dec. 2).

Business executives are counting on 20,000,000 as the actual attendance at the \$50,000,000 fair, or 2½ visits per person. Thirty per cent of them will come from the San Francisco area, 20% from the rest of California, and 50% from outside the state.

Most of the 4,000,000 tourists due to show up at Treasure Island will visit Los Angeles also. Portland and Seattle will draw some 2,000,000 of the total.

Business' Take

Restaurants and hotels in California have figured they'll take in about \$227,000,000 while the fair is in progress. The oil companies are expecting to sell \$44,000,000 worth of oil and gasoline. Public transportation companies (railroads, air lines, buses, electric railways) believe they will take in \$30,000,000. This figure doesn't include transcontinental traffic. Proprietors of night clubs, bars, and soda fountains in San Francisco, Oakland, and Los Angeles are figuring on a total take of \$25,000,000. Retail merchants expect to sell about \$18,000,000 of clothing, \$8,800,000 of camera supplies and services, and \$8,000,000 of souvenirs.

The state of California won't fare so badly. It is contributing \$5,000,000 to

the cause and, if all goes well, should get back \$9,000,000 in sales tax returns and \$2,709,000 from gasoline levies.

The exposition company, on July 9, had collected from business more than \$6,200,000 of the \$7,000,000 total set. Largest contributors have been the

food and beverage industries, followed by manufacturing and wholesale concerns, transportation companies, the construction and mining industries, the retail merchants, and the oil companies. Among large individual subscribers are: Southern Pacific (\$250,000), Pacific Gas & Electric Co. (\$250,000), Santa Fe (\$125,000), Union Pacific (\$50,000), Safeway Stores (\$100,000), Pullman, Inc. (\$50,000), Westinghouse and General Electric (\$75,000 each). The oil companies chipped in and supplied \$875,000. The banks used the same method and sup-

Going to the Fair

Business books space for its exhibits at the Golden Gate International Exposition in San Francisco next summer

| Company | Exhibit Space (Square Feet) | Company | Exhibit Space (Square Feet) |
|---|--------------------------------|--|--------------------------------|
| Acme Brewing Co. | 930 | Lions International | 65 |
| Aetna Casualty & Surety Co. | 1,000 | Lyons-Magnus Inc. (beverages) | 490 |
| (Aetna Life Insurance Co., The Automobile Insurance Co., Stand- ard Fire Insurance Co.) | | C. W. Marwedel Co., for 14 machine tool companies | 1,940 |
| American Express Co. | 522 | McGraw-Hill Publishing Co. | 104 |
| Armour & Co. | 1,980 | G. & C. Merriam Co. (dictionaries) | 179 |
| Atchison, Topeka & Santa Fe Ry. Co. | 4,000 | The Merrill Co. (mining machinery) | 196 |
| Bank of America | 6,825* | Metropolitan Life Ins. Co. | 1,578 |
| Bethlehem Steel Co. | 3,428 | Mine & Smelter Supply Co. | 198 |
| Bookhouse for Children | 203 | National Automobile Club | 666 |
| Bowie Switch Co. | 203 | National Biscuit Co. | 1,656 |
| California Association of Ice Indus- tries | | National Cash Register Co. | 8,000* |
| California (State) | 379 | Neptune Meter Co. | 218 |
| Agriculture Dept. | 40,230 | Nevada-Massachusetts Co. and H. W. Gould Co. (mining machinery) | 196 |
| Penology Dept. | 18,036 | Okonite Co. (electric wire & cable) | 191 |
| California Cotton Mills | 288 | Owens-Illinois Pacific Coast Co. | 1,740 |
| California Packing Corp. | 1,987 | Pacific Coast Gas Association (13 gas utility and equipment manu- facturing companies) | 6,347 |
| California Redwood Association and West Coast Lumbermen's Associ- ation | 47,400* | Pacific Electric Mfg. Co. | 540 |
| California Walnut Growers Associ- ation | 501 | Pacific Gas & Electric Co. | 3,050 |
| Chicago and North Western Ry. Co. | 712 | Pacific Greyhound Lines | 1,044 |
| Christian Science Publishing Society | 8,000* | Pacific Telephone & Telegraph Co. | 5,315 |
| Chrysler Sales Corp. | 11,458 | Pan American Airways | 65,000 |
| Coca-Cola Bottling Co. of California | 1,892 | Paraffine Companies, Inc. | 1,002 |
| Coleman Lamp & Stove Co. | 450 | Pennsylvania Railroad | 1,714 |
| Thos. Cook & Son Wagon-Lits, Inc. | 666 | Petroleum Exhibitors, Inc. (11 major oil companies) | 19,000 |
| Crane Co. | 784 | Pittsburgh Plate Glass Co. | 1,120 |
| Daggett & Ramsdell Co. (cosmetics) | 526 | Quarrie Corp. (publisher) | 192 |
| August E. Drucker Co. (drugs) | 331 | Railway Express Agency | 560 |
| E. I. du Pont de Nemours & Co. | 5,034 | Sangamo Electric Co. | 322 |
| Ford Motor Co. | 42,000* | Schering Corp. (drug supplies) | 252 |
| W. P. Fuller & Co. (paints) | 1,865 | A. Schilling & Co. (coffee and spices) | 526 |
| Fuller Brush Co. | 201 | A. Sensenbrenner Sons (cigars) | 319 |
| General Cable Corp. | 540 | Singer Sewing Machine Co. | 1,573 |
| General Electric Co. | 8,918 | Sleeper, Inc. (30 manufacturers of bedding, mattresses, and springs) | 618 |
| General Motors Corp. | 11,430 | Southern Pacific Co. | 5,142 |
| General Times Instruments Co. | 540 | Standard Brands of California | 2,000 |
| A. Giurlani & Bros. (food importers) | 174 | Standard Sanitary Mfg. Co. | 650 |
| Grayline, Inc. | 522 | Tea Garden Products Co. (food packers) | 495 |
| H. J. Heinz Co. | 2,765 | Tubbs Cordage Co. | 774 |
| Hills Bros. (coffee and spices) | 2,652 | Union Pacific Railroad | 2,012 |
| Independent Order of Foresters | 662 | United States Steel Corp. | 10,830 |
| International Business Machines Corp. | 1,319 | Viticultural Industries, Inc. (26 Cali- fornia wineries) | 1,442 |
| International Correspondence Schools | 178 | Western Pine Association | 8,187* |
| Johns-Manville Sales Corp. | 784 | Western Sugar Refinery (J. D. & A. B. Spreckels) | 985 |
| The Junket Folks | 501 | Western Union Telegraph Co. | 395 |
| Kerr Glass Mfg. Co. | 644 | Westinghouse Electric & Mfg. Co. | 4,736 |
| La Salle Extension Univ. | 203 | White Sewing Machine Co. | 602 |
| Leslie Salt Co. | 263 | | |
| Levi Strauss & Co. (work clothes) | 474 | | |
| Libbey-Owens-Ford Glass Co. | 1,172 | | |
| Libby, McNeill & Libby | 1,980 | | |
| Eli Lilly & Co. | 331 | | |

* Company or organization will have separate building.

es, followed
wholesale com-
panies, the
industries, the
oil com-
dividual sub-
sidiaries (\$250,
Electric Co.
(\$125,000),
Safeway
Inc. (\$850,
General Elec-
companies
\$5,000. The
and sup-

bit Space
are Feet)

65
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196
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198
666
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8,000*
218
196
191
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6,547
540
3,050
1,044
5,315
65,000
1,002
1,714

19,000
1,120
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560
322
252
526
319
1,573

618
5,142
2,000
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495
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1,830

442
1,879

985
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602

ave

plied \$100,000. Paraffine Companies, Inc. contributed \$50,000, Matson Navigation Co. \$75,000, Bethlehem Steel and subsidiaries \$75,000, Columbia Steel and subsidiaries \$100,000, American Can Co. \$50,000, Armour & Co. \$50,000. The newspapers of the state provided \$120,000.

Business has contracted for a total of 336,839 sq. ft. of space, as shown in the table. Total available space under cover for exhibit purposes will run about 660,000 sq. ft. Also about 20 acres of Treasure Island have been set aside for exhibitors who want to create their own buildings.

"Gold Mine" to Be Shown

Several industries are participating as a unit. Mining Exhibits, for instance, is a joint activity of the large factors in the mining industry of the 11 Western states. Plans include a \$1,000,000 "Treasure Mountain" 50 ft. high and 400 ft. long containing a typical gold mine in operation.

Until July 1, the fair was entirely a construction job. With the exposition company's buildings on Treasure Island 83% completed, emphasis has shifted to the pageants and special events designed to draw visitors back to the show as many times as possible.

The West Coast event will be a travel fair primarily rather than a display of industry and science. For this reason, transportation companies, alert to the long-haul possibilities, are joining in the effort to get residents of the East and Middle West moving toward the Pacific early next year. Soon after Labor Day, railroads, airlines, and bus companies will begin a \$3,000,000 promotion campaign featuring the exposition as a travel objective in 1939.

Pacific Flights Featured

Pan American Airways will have its Pacific Clipper ships arrive and depart from the lagoon at the south end of Treasure Island during the fair. A glass partition will be erected behind which visitors may watch all the colorful bustle of taking off for the Orient and landing from the Pacific flight. This ought to be one of the best drawing cards at the exposition. Pan American has also signed for 65,000 sq. ft. exhibit space in one of the buildings.

Aside from the conventional themes, travel advertising for the California fair can and will subtly exploit two other angles: the compactness of the fair grounds and their guaranteed coolness in naturally air-conditioned San Francisco Bay. Visitors will be able to "cover" the fair without resorting to back-breaking, arch-wrecking forced marches under a blistering sun—which is something Grover Whalen won't be able to promise on behalf of New York's Gargantuan exposition.

Comfort

IN WASHINGTON

AIR CONDITIONED BEDROOMS, RESTAURANTS, LOBBIES & PUBLIC ROOMS

Assure a Capital Visit at the Capital's
Modern Hotel • Naturally Ventilated
Bedrooms and Suites, If Preferred

The Air Conditioned MAYFLOWER

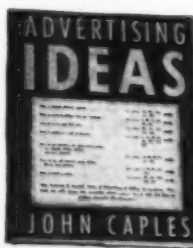
WASHINGTON, D. C.

R. L. POLLIO, Manager



Single Rooms
from \$4
Double Rooms
from \$6
All with Bath,
of course

NEW YORK OFFICE: 521 FIFTH AVENUE
MURRAY HILL 6-2386



How to make advertisements bring better results

John Caples shows you in this book 100 successful advertisements and shows you *what made them successful*. He shows you how the essential features of these ads can be built into ads on other products, how always to get into any copy, any layout, those things that make ads click.

• 428
practical
methods and
appeals

• from
successful
ads

• pointed
out and
discussed
by
John Caples

Just Out

ADVERTISING IDEAS

By JOHN CAPLES - \$4.00

How to:

- choose effective appeals
- write headlines that are "stoppers"
- write copy that sells
- make all kinds of layouts
- get attention by using comic strips, sex appeal, babies, brides
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Anti-Trust Charges Hit M.D.'s

Arnold's indictment proceedings against American Medical Association have an interest for industry, whose costs are boosted by workers' sickness.

THERE IS ONE THING to be said of the Roosevelt Administration—it seldom passes up a chance to start a fight. Embattled on a hundred fronts, the New Dealers blithely take on a powerful new adversary, the American Medical Association.

On July 31 the Department of Justice charged in Washington that the A.M.A. and its local affiliate, the District of Columbia Medical Society, had violated the anti-trust laws. The transgressions alleged were attempts to hinder the Group Health Association, Inc., a year-old organization of 2,500 low-salaried government employees.

The action was brought by Thurman W. Arnold, assistant attorney general and No. 1 trust-buster of the Administration. It contributes further evidence that Mr. Arnold is determined to popularize his drive against monopoly (*BW*—Jul 30/33, p. 17). To get anywhere he must arouse public sentiment. Hence his targets are groups with immense numbers of patrons. The interest of millions has been engaged by the D.J.'s activities in milk marketing, gasoline distribution, movies. And now he makes a bid for the multitudes of the ailing.

Challenge to A.M.A.

The charges against the A.M.A. chime in with President Roosevelt's demand for adequate medical care for the entire nation. They challenge the association to a finish fight on the question of cooperative health insurance.

Specifically Mr. Arnold alleges that the medical associations threatened with expulsion doctors who accepted employment with the Group Health Association, prevented the employment of competent physicians, threatened to expel doctors who consulted with staff members of the Group, excluded from

Washington hospitals Group Health physicians. He has taken action because he thinks the anti-trust laws prohibit "combinations which prevent others from competing for services as well as goods."

After giving the A.M.A. a hearty poke in the nose, Mr. Arnold waves an olive branch. In an opinion of some 3,000 words, 2,000 are devoted to justification of his move and to hopes that a compromise will keep the case out of court.

The statement was given out before an investigating grand jury had been called because the D.J. wants to give warning "as far in advance as possible." Moral turpitude, says Mr. Arnold, is not necessarily involved in an anti-trust indictment. Statistics to justify cooperative prepayment plans are included in the "charges" and allusion is made to the 60 cities having 1,500,000 persons in group hospitalization plans.

The A.M.A. apparently is set for a finish fight. The association's statements doubt that the Administration can use laws and courts to mould Americans to its belief "in every phase of life," assert the right to enforce membership requirements, declare that "until the courts have spoken, physicians need have no fear as to the legality of the service which they render or as to the place which the A.M.A. occupies in the national economy."

The A.M.A. is going to have its hands full. The Labor Council of Milwaukee, representing both C.I.O. and A.F.L. unions, asked Mr. Arnold on Monday to include the local medical association in his anti-trust case. It is alleged that seven physicians were expelled for practicing in the Milwaukee Medical Center. Center members (3,000 of them) pay in advance for full medical

service, at the rate of \$1 a month for individuals, \$2 a month for man and wife, \$3 a month for a family.

Most embarrassing is the militant opposition to the A.M.A.'s policy by many of its most prominent members. The A.M.A. still vibrates from the demand of 430 "rebels" that it pay more attention to the social phases of medicine and that the government help needy doctors as well as patients. One of the 430, Dr. Channing Frothingham, president of the Massachusetts Medical Society, said last Monday that the A.M.A. was making "an awful mistake by not following the trend of public opinion in medical and hospital insurance plans."

Back National Health Plan

The A.M.A. made a lone and unsuccessful fight at the National Health Conference held in Washington two weeks ago. Representatives of farmers, labor, women voters, consumers, "rebel" doctors, backed a national health program calling for expenditures of \$850,000,000 annually for 10 years.

There is no doubt about the growth of cooperative plans for health insurance through prepayment of small regular sums. The Bureau of Cooperative Medicine, New York, estimates that there are 80 such cooperatives organized or organizing, that an additional 300 communities are investigating.

Industry is interested in Arnold's latest attack not only because it will further elaborate the pattern of anti-trust control which he has set, but principally because it knows unnecessary illness costs the country \$10,000,000,000 annually, that only \$100,000,000 out of the \$3,500,000,000 spent for medical care last year went for preventive work. The direct cost of medical care which it bears is not appreciable (see chart above, right), but the indirect costs—loss of time, worker fatigue, low vitality, etc.—are staggering. Satisfaction of the demands of this "market" for medical care is (see chart above, left) of first-rank importance to manufacturers of medical and hospital equipment.

ANNOUNCING



An Index to BUSINESS WEEK

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industry, labor, and government of significance and value.

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BUSINESS WEEK

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Money and the Markets

Steel news is encouraging in a week when most traders have little interest in anything but the weather. Domestic farm products are unsteady, and Far Eastern news affects foreign currencies.

THE FIRST WEEK of August, judged by the markets, demonstrated that this is the month when everyone is going away who can get away. Trading in most markets fell off to a fraction of the volume which marked the last half of June and most of July. Prices had pretty well stabilized after the display of the last few weeks.

A very large percentage of the so-called professional traders had gone on vacation. Wall Streeters, sweltering in New York's latest heat wave, took advantage of the slow markets to go home even before the final gong sounded on the exchange floor. Few in any part of the country showed a disposition to hang over the ticker tape.

Steel News Favorable

Under the circumstances, response to news was sluggish and belated. On Monday, for example, stocks sold lower. In midafternoon, it was announced that steel operations had recovered to 39.8% of capacity—they were as low as 22.4% in the week including the July 4 holiday—but the news had little effect. Overnight, however, a lot of people read of the rise, and it was not until the next day that the improvement in steel found some reflection in stock prices.

Those investors and traders who are

fairly well satisfied to draw their main conclusions about business and the markets from the steel industry found it a pretty good week. Operations were up virtually to 40% of ingot capacity, steel scrap prices were boosted again to \$15.75 at Pittsburgh. Steel companies still are a good bit below profitable operating levels, but the consistent rise in output plus the strong demand for scrap encourages those who hope the industry will be making money in the fall.

In other directions there was little in the way of measurable change. The prices of industrial raw materials were steady to firm for the most part, with copper well established at the new 10½¢ quotation. Domestic farm products, on the other hand, were inclined to be flighty as markets tried to get set for next week's government crop reports.

Private forecasters without exception were of the opinion that the winter wheat harvest is running substantially below the Department of Agriculture's July 1 figure of 715,425,000 bu. Most estimates on spring wheat are a little above the July 1 figure of 251,987,000 bu. On corn, too, the general tendency is to mark up the government's July 1 forecast of 2,482,102,000 bu. The Canadian wheat crop, most observers believe, has deteriorated and

will fall somewhat short of earlier prospects of about 360,000,000 bu. Canadian and domestic prospects, however, had little effect on wheat prices which hovered around the five-year lows set recently.

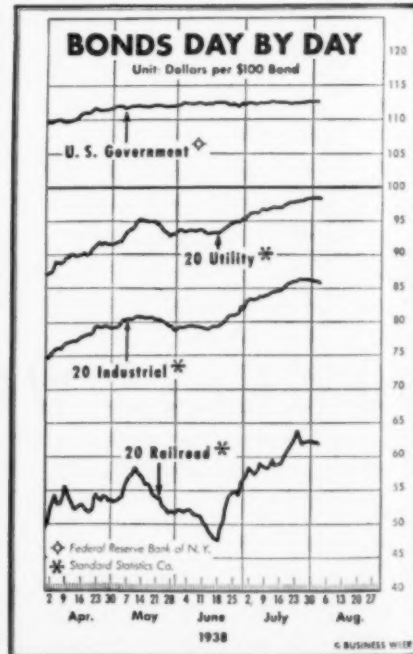
The government's first cotton crop estimate will appear on Monday, Aug. 8. Guesses on the crop run all the way from 10,500,000 bales to about 11,800,000. Those who are pessimistic stress the relatively unfavorable weather in the Eastern half of the belt, and believe the crop will be fairly seriously damaged by the boll weevil.

The British pound and the French franc were weak sisters, partly because of the latest disturbances in the Far East and partly on persistent rumors of devaluation by the participants in the tripartite currency agreement.

"Do As I Say"—Just before leaving for Europe this week, Jesse Jones, free-spoken chairman of the Reconstruction Finance Corp., gave the bankers another piece of his mind, and in so doing he flew in the face of the ancient counsel of Aesop and the more recent experience of the Federal Reserve Bank of New York.

Chairman Jones warned bankers that unless they loosened up, the federal government might decide to go into direct competition with them by establishing industrial banks throughout the country. And when asked how he was able to reconcile the tight-lending policy of his own National Bank of Commerce, Houston, with his exhortations to bankers to lend, Mr. Jones declared:

"I don't want the banks to do as I



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BUSINESS WEEK

do, but what I tell them to do"—which is directly contrary to the moral of Aesop's famous fable about the two crabs: "Example is the best precept."

The unwillingness of the National Bank of Houston to lend as freely as Mr. Jones asks other banks to lend (the Houston institution is one of the most liquid in the country), has been embarrassing to the RFC chairman, who is also chairman of the bank. Indeed, there are reports in Washington that Mr. Jones has pleaded with the lending officers of the Houston institution, but to no avail. Apparently, the Houston bank feels the way the Federal Reserve Bank of New York does about liberal industrial loans.

In its *Monthly Review of Credit and Business Conditions* for Aug. 1, the New York Reserve institution departed from its custom of confining its comments to industrial conditions, and devoted a column and a half to a discussion of its experience with industrial lending. Heretofore, information about the bank's own activities have been saved for its annual reports.

The bank noted that inquiries for industrial loans had recently increased, but that in "a large percentage of cases, the needs were for permanent additions to proprietary capital or for other types of loans that are ineligible for this bank under the law." In other words, prospective borrowers were seeking new capital, not bank credit. In a minority of cases, the Reserve Bank observed that the business condition of the would-be borrower was such as to "provide no sound basis for credit." Presumably, what was wanted was money to pay off pressing debts.

In 75% of the cases, the bank has discouraged prospective borrowers from even going through the formal effort of making an application for a loan—because it was obvious from mere questioning that credit was not grantable. Yet, with all such care and diligence, the bank's experience with this longer-type loan has been unsatisfactory. The discussion concluded:

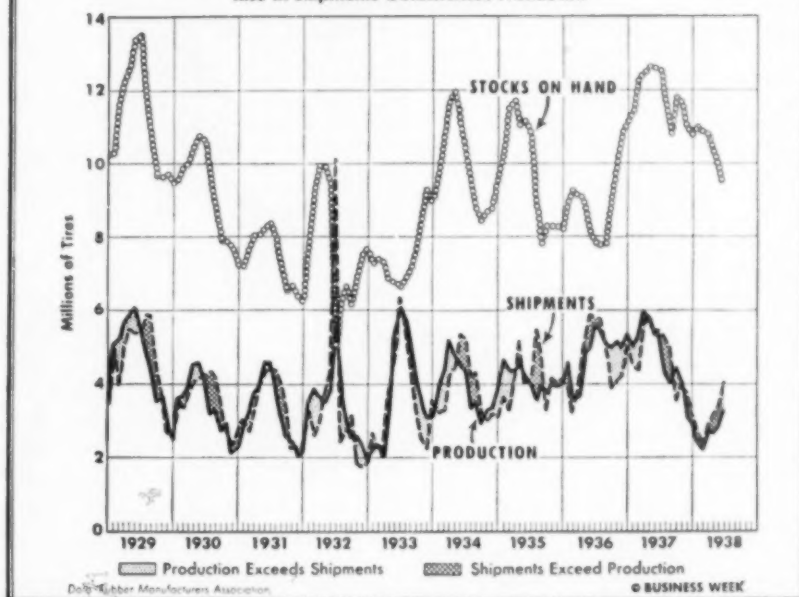
"Although great care was exercised in the original review of the applications, and constant supervision has been maintained, it has been necessary to place a number of the loans on the 'trouble' list . . . and in a few cases, borrowing concerns have failed despite the receipt of loans.

"In general, the experience of this bank with this type of loan indicates that the income received, even at rates as high as 6%, is not adequate to cover expenses and losses."

It is not likely that commercial banks—in view of the New York Reserve's findings that "mercy" loans to business are a losing proposition—will act upon Mr. Jones' suggestion that banks do what he tells them.

TIRE COMPANIES' SALES JUMP

Rise in Shipments Outdistances Production



IMPROVEMENT IN THE TIRE INDUSTRY, perceptible for some time (*BW*—July 28, p. 36), took on the characteristics of a major movement in June. Manufacturers' shipments of tires were the largest since last August. As shipments have exceeded production for five consecutive months—the tire manufacturers were prompt to trim sail—supplies of tires in manufacturers' hands have been cut to 8,812,000. That's the lowest since the end of August, 1936, and it demonstrates the determined effort to move inventory in the interest of price stability.

The improvement in the tire industry

has been accomplished without much help from the automobile makers. Sales of original-equipment tires were at low ebb in the first half of 1938, but the situation was saved by very fair replacement demand. Full significance of manufacturers' shipments, however, will not be known until the second quarter report on stocks of tires in the hands of dealers is published. At the end of the first quarter, dealers' stocks were down to 5,852,000 tires, the lowest in more than a year. The only danger is that casings piled up in dealers' storerooms, but it is doubted that there has been much accumulation.

Head Man—On Sept. 8, William McC. Martin, Jr., president of the New York Stock Exchange, is expected to show the Big Board membership who's boss. On that day the exchange will hold its annual tennis championship at the Fresh Meadows Country Club. Martin is the topheavy favorite.

Larger Wool Clip—The Department of Agriculture's forecast this week of the 1938 wool clip was not such as to cause much surprise. The estimated quantity shorn or to be shorn was put at 368,528,000 lb., about 2,000,000 higher than in 1937.

In view of the fact that there were 52,918,000 sheep and lambs on farms last Jan. 1 compared with 52,588,000 a year earlier, it was logical to expect some increase in the clip. The number of sheep to be shorn, however, seems to have risen somewhat more than the 330,000 rise in the total on farms. The Department of Agriculture figures that about 46,632,000 sheep will be shorn this year, which is a gain of roughly

600,000 over 1937. The average weight of fleece per sheep is expected to be lower than last year—7.9 lb. against 7.97.

This statistical information was received when the markets were doing little or nothing. Demand for wool has slackened materially after the marked activity of the preceding six weeks. Market opinions now are colored pretty largely by individual opinions on the business outlook.

Cotton Price Limits—The cotton trade is talking more and more about the possibility that fluctuations in the price will be confined between the levels of roughly 8½¢ and 9½¢ a lb. The lowest figure mentioned is 8.3¢, because federal loans for storage of cotton would become mandatory at about that figure. The top level is put at 9½¢, because loans and carrying charges on 1937 loan cotton could be met at that level.

The feeling is that price will tend to strengthen any time it gets down toward the level at which the govern-

ment would be obliged to extend loans on 1938 cotton, and that producers would withdraw loan cotton whenever price got as high as 9½¢. (About 5,400,000 bales are pledged under 1937 loans.)

Acceptance of these limits on price presupposes several things. It allows for the fact that everybody is pretty well reconciled to a carryover of 13,400,000 bales. It reckons production this year at not more than 11,500,000 bales, and perhaps a bit less. It counts on consumption of American cotton between Aug. 1, 1938, and July 31, 1939, of 11,500,000 bales or more. In other words, it figures the statistical position will be better rather than worse a year hence. It discounts what is past, and builds on mild optimism for the future.

To Facilitate Financing—Removal of restraints without weakening the essential controls exercised by the Securities and Exchange Commission over the capital markets is being pushed. The Investment Bankers Association is pressing for changes which are regarded as necessary, and the chairman of the SEC, William O. Douglas, has lent some encouragement.

The fact is that the SEC, imbued with the idea that capital should flow more freely into business, will give serious consideration to any changes which the I.B.A. may recommend as helpful. The I.B.A. members have a real interest in raising capital for business, for that's how they make their livings.

However, it's hard to go much beyond a statement of the reasons why the various parties are interested. Revival in business is the necessary prelude to activity in new financing—corporations don't want to borrow when their business is bad and their credit poor, investment bankers don't want to handle their securities, and the public doesn't want to buy them. Thus changes in the rules and regulations can't be expected to lift business, but rather to pave the way for business to raise new money after it gets up steam.

Probably the I.B.A. committee won't have many concrete recommendations for some time, and the SEC certainly won't put them into force at once. Thus it is likely that such changes as are made will be of more significance in 1939 than in 1938. Bankers hope, further, that 1939 will be a vastly improved year for business and new financing. Preparations for such a pickup at this

More Protection for the "Little Fellow"



Harris & Ewing

COMMODITY EXCHANGE Administration members are pretty sarcastic concerning the abilities of some of the men who set themselves up as humdingers at commodity speculation. Few among these commodity "counselors," who handle the money of small-fry speculators, have ever been able to make money in the markets themselves, says CEA; few ever have had taxable incomes of \$3,000 to \$7,000; a majority became "counselors" after failing in some other line.

Proposing to protect people who entrust money to such dubious advisers, the CEA called officials of leading

commodity markets to Washington this week. Here they are pictured conferring. Speaking is Harry L. Brown, assistant secretary of agriculture; at his right is Dr. J. W. T. Duvel, head of CEA. Exchange men suggested plans for clipping the wings of fly-by-night operators, went back to report possible regulations to their boards of governors for adoption. Represented at the conference were the New York cotton, wool top, and mercantile exchanges, the Chicago Board of Trade and Mercantile Exchange, New Orleans Cotton Exchange, and the Minneapolis Chamber of Commerce.

time therefore seem entirely logical.

The men the I.B.A. has picked for the job of studying the problem and reporting to the SEC pretty completely represent the different sections of the country. Members are Lahman V. Bower of Harris, Hall & Co., Chicago; Charles S. Cheston of Smith Barney & Co.'s Philadelphia office; the I.B.A. president, Francis E. Frothingham, of Coffin & Burr, Inc., Boston; Edward H. Hilliard of J. J. B. Hilliard & Son, Louisville; New Yorkers Joseph P. Ripley of Brown Harriman & Co. and John K. Starkweather of Starkweather & Co.; Jean C. Witter of Dean Witter & Co., San Francisco; and Orrin G. Wood of Estabrook & Co., Boston.

Mr. Frothingham declares that "nothing is further from our thoughts than any changes that would weaken the reasonable and sound corrective purposes of the laws."

Plenty of Copper—It's quite true that copper prices have been creeping steadily higher of late, but men who know the business best consistently have warned that there is no reason to worry about scarcity. Stocks of the red metal above

ground on June 30 were 358,971 tons. That's equivalent to nearly 12 months' requirements at the rate industry has been consuming copper recently, and would suffice for four to six months during more or less normal times.

If additional assurance were needed that the copper producers were looking out for consuming industries, it was had this week. Utah Copper, which closed its big Bingham, Utah, mine on June 15, reopened, giving work to about 2,500 men. The shutdown originally was announced to be in effect until there was a sign of revival in the business. Kennecott, which owns Utah Copper, apparently sees the requisite improvement. So do other big producers, for they're all increasing activity.

When copper began rising from 9¢ a lb., domestic producers didn't object—until it passed 10¢. The metal is considered very cheap at 9¢; it's generally regarded as reasonably priced anywhere between 10¢ and 12¢. The recent boost to 10½¢ a lb. was practically forced by the rise in London (*BW*—Jul.30'38, p.32), but domestic copper interests henceforth may be counted upon to try their best to avert any rapid advance.

Chrysler Corporation

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of twenty-five cents (25¢) per share on the outstanding common stock, payable September 14, 1938, to stockholders of record at the close of business, August 16, 1938.

B. E. Hutchinson, Chairman, Finance Committee

BUSINESS ABROAD

Business fails to react to intensification of undeclared war along Soviet-Manchukuan border; threat to Japan's China program is welcomed. European business is dull after long holiday weekend.

From Wireless and Cable Reports by Business Week's Foreign Bureaus and Correspondents

WORLD MARKETS WATCHED the border conflict in the Far East grow into a major issue this week without showing any signs of fear that it will lead to a declaration of war which will involve the other great powers. Japanese bonds weakened seriously in every great market, and confidence in the stability of the yen slumped. But all business with Japan has for a long time been transacted only on the basis of payment in advance in the country in which the shipments originate so the week's developments did nothing but intensify the care which all foreign suppliers are taking in arranging all deals with Japan.

Turning Point in China?

Japanese forces are only a little more than 100 miles from Hankow, temporary capital of China since the fall of Nanking. Japanese military leaders have declared that their control of China will be within their reach when this city falls, for it is the last of the great inland capitals which has several routes of quick communication with the outside world.

Strategists declare that this is the

reason why Moscow is now defending so vigorously a stretch of territory which has been in dispute for several years. If crack Soviet forces can keep Japan's No. 1 troops occupied in Manchukuo and Korea, and if Britain takes the stronger position in the Far East that she has promised, it may prevent the taking of Hankow and the routing of Chiang Kai-shek's soldiers. It is a dangerous maneuver, for there is a strong group in Tokyo ready to declare war on Moscow at any time. Most diplomats believe that the open declaration of war between Russia and Japan would ultimately involve Europe and the rest of the world. It is this kind of reasoning which is expected to cause friends of Tokyo to counsel a moderate course.

Japanese orders are still being placed abroad in fairly large volume, with payments assured by continuing shipments of gold to New York.

Gold in Big Demand

Of more immediate concern to world business was the activity on the London gold market, and the sharp downward trend of British foreign exchange.

Gold was in constant demand on the London market, and the price soared to a new high. At the same time, the pound slumped to new low ground for the year. When it dropped below \$4.90, speculation developed over the ability of the Exchange Equalization Fund to hold it somewhere around \$4.87. Though there have been rumors from time to time that some British authorities would like to have a much cheaper pound for the sake of the export advantage, there has been no widespread belief recently that an exchange rate much below the former parity would be acceptable to Washington.

Debt and Currency Deal

The demand for gold, and the weakness of the pound and other European currencies, are attributed to the growing conviction in most European money capitals that some plan for settlement of the war debts and restabilizing the principal currencies is under consideration. In Paris, where Secretary Morgenthau has been vacationing, it is known that he has had long conferences with the French Treasury and banking authorities, and it is rumored

Preliminary Construction under Way for Rome's World's Fair of 1942



BENITO MUSSOLINI'S pet project in the building of a new Rome has been the reclamation of the Pontine marshes, the swamps that since Caesar's time separated the city from its seaport, Ostia, 14 miles away at the mouth of the Tiber. The marshes have now been made usable land, occupied by a model farming community that is Mussolini's heart's delight, and it is

here that his newest project, Rome's 1942 World's Fair, will be staged. Already, workmen are building on the exposition grounds outside Ostia, preparing for the \$200,000,000 undertaking that will be the biggest Europe has ever attempted. In the picture, left, is shown work on the Administration Building. Right, a bar 2,000 years old, one of Ostia's excavations to be part of the fair.

that these will lead to some kind of a conference involving the British, French, and American members of the tripartite agreement—probably in the early fall. London is expected to call the conference. And stabilization is expected to be at levels which are lower, in relation to the dollar, than have prevailed until recently. This, rather than the war scare, accounts for the eagerness in Europe to transfer funds into dollars or gold.

Prague Conferences

The Prague conferences are just getting under way, but it is still confidently believed in Berlin as well as London, that they are going to be successful in postponing immediate trouble, and that in the meantime, plans will develop which will remove some of the bitterest problems threatening peace in Europe.

Great Britain—Except for the active buying of gold and the slump in sterling exchange, British markets were quiet this week, following the long banking holiday. No important signs of business improvement have developed, though there is still an important body of business opinion which expects some improvement to occur in the autumn, even in the iron and steel trade.

There is no confirmation here that a hitch has developed in the Anglo-American trade agreement talks. The delay in announcing the pact is attributed to the complexity of detail and the need for full consultation with the various dominions before agreeing to certain concessions. London is, in fact, eager that the settlement be reached as soon as possible for the sake of the prestige to the Chamberlain government and the weight it will add to Britain's bargaining power in pending international talks. If the trade agreement is accompanied or followed by an agreement covering war debts and possibly currency stabilization—as is widely expected here now—it would be worth more than a year of rearming in forcing the dictator countries to arbitrate their differences with the democracies.

Germany—Berlin views with a certain amount of satisfaction the development in the Far East which involves Soviet forces in what is expected to be a long series of border incidents. The situation is not expected to develop into a formal war.

Both capital and labor have been invited to contribute to the Reich's need for fresh funds to carry out the public works program, indicating that so far as possible the government will avoid measures likely to lead to direct inflation.

Business has no alternative but to

support the proposal, for it has been confronted this week with an increase in corporation taxes of 30% to 40% on net profits. This increase is expected to produce half a billion marks of additional revenue yearly, and to raise the yield of the corporation tax to the formidable sum of two billion marks for the current fiscal year. Corporation heads in Berlin estimated this week that at least 80% of industrial profits in Germany are now absorbed by the various taxes and government-instituted levies. The stock market reacted to the latest increase in taxes, with sharp price declines.

Labor will provide funds by sub-

scribing at once to the scheme to buy the new People's Car on the installment plan, payments to begin at once.

Paris—French markets were steady this week, though the franc weakened with the other European currencies on reports that there will be stabilization in the fall at lower levels.

Labor troubles may break out, with Paris chain store workers this week threatening to strike in protest against staff cuts to reduce operating costs.

France is preparing to grant a credit of 300,000,000 francs to Bulgaria, presumably for the purchase of arms from French producers.

FOREIGN ANGLES

MEXICAN EXPORT TAX

MEXICO HAS PASSED THE LAW levying a 12% tax on all exports (*BW*—Jul 23 '33, p34). Mining companies—including especially American Smelting & Refining, United States Smelting, and Anaconda—will be hit. Minerals account for almost 75% of Mexico's exports, and United States' interests control about three-quarters of the production. Mining executives in New York have not yet received an official statement of the law so they do not know whether the tax will be applied to gross or net value of exports. One Mexican source estimates yearly revenue from the tax at about \$20,000,000.

A CAR FOR EVERY GERMAN

GERMAN WORKERS this week began saving for one of the cheap new cars which Hitler has promised will be available to all workers. Savings clubs have been formed into which workers will put five marks (about \$2) a week. The first cars will be ready at the end of 1939. By 1946, annual production is expected to reach 1,500,000 cars (Ford capacity now is rated at something between 1,250,000 and 1,500,000). Cost of the new German flivver will be \$390. It is expected to have a speed of 62½ m.p.h. on the new German superhighways, and will make 40 miles on a gallon of gasoline.

PERU ADVERTISES

A PERUVIAN INFORMATION BUREAU has been opened at 21 West Street, New York, in charge of Luis M. Alzamora, to promote business between Peru and the United States.

GERMAN SUPERLINER

HITLER HAS ADDED ANOTHER "BIGGEST" to his list of projected achievements for the Reich. German marine architects are designing a 90,000-ton luxury liner to compete in the north Atlantic service

with the 83,423-ton *Normandie* (French), and the 81,235-ton *Queen Mary* (British). Largest German liner in the service now is the 9-year-old *Bremen*, 51,733 tons.

BERLIN-PARIS AGREEMENT

IN SPITE OF THE WEEK'S WAR SCARES, Paris expects a new trade agreement to be negotiated with Berlin in the near future, including terms for settlement of the old Austrian debts to France.

MOSCOW TO LONDON

TRAVEL TIME FOR BUSINESS MEN and tourists between Moscow and western Europe was cut to one day this week by a new air service established by the Soviet Union. Comfortable 16-passenger planes of Soviet make and capable of a speed of 186 m.p.h. are now making the flight from Moscow to Stockholm in seven hours. At Stockholm they connect with the Swedish air services which will continue to London, Copenhagen, and Amsterdam the same day.

FORD IN FRANCE

MOUNTING COMPETITION between General Motors and Ford in Europe is claimed by the French to be responsible for the building of the big new Ford plant in France, which it is said will be the most modernly equipped in Europe. General Motors is competing for export business through its Opel plant in Germany. Ford evidently has found it inconvenient to manufacture in the rented Mathis plant at Strasbourg and assemble at Paris.

BRITAIN NEEDS ENGINEERS

THE SHORTAGE OF SKILLED LABOR in Britain, due to the rush of rearmament, has caused the British to give "special consideration" to all applications for repatriation by skilled engineers who migrated to the U. S. after the war.

Canadian Business Roundup

Increased world demand for mining products gives fillip to Dominion business. Retail sales are only 7% behind last year. August dividends will be large. Steel production is at 1929 levels.

This Week: Increasing world demand for non-ferrous metals and for gold again pushed the Canadian mining industry into the limelight, with agriculture, which is enjoying a record harvest. Gold mining shares continued to be in demand on the Toronto Exchange following last week's record sales. Higher copper prices in London and New York stimulated the demand for other mining shares. The Dominion Bureau of Statistics latest weekly index of general activity is down, but is still only 5% below a year ago.

Seven Months: Retail sales are running about 7% below last year. Dominion Stores Limited, a leading chain with nearly 500 stores, reports a drop of 2.87% in sales for the first 24 weeks of the year compared with 1937. Wholesale prices in July were about 7.5% lower than in July of last year.

The employment trend is upward, July 1 showing a gain over June 1. In manufacturing, there were seasonal employment declines in textiles, iron and steel, and curtailments in leather, rubber, tobacco, chemicals.

Aluminum production and export are a feature of current Canadian business. Exports for the six months (almost entirely by Aluminum Co. of Canada) mounted to \$11,221,000 as against \$8,801,000 for the like period of 1937. There were no shipments to Japan in June.

Current loans are increasing, indi-

cating a quickening of business pulse. There was a rise for June over May by all chartered banks of nearly \$17,000,000, while the amount of current loans at June 30 was \$786,000,000 as compared with \$728,000,000 at the same date last year. But in total financial transactions, there was a 20% decline for the first six months compared with last year.

Corporation dividends will show a jump of about \$1,000,000 or 22%, in August over August, 1937, but \$600,000 of the gain is accounted for by quarterly dividends of one of the banks falling due this month.

With harvesting commenced, indications are that the Canadian wheat crop will stand up fairly well to early expectations. It is now placed roughly above the ten year average of 360 million bushels. The yield has been below 300 million bushels since the 443 million bushel crop of 1932 and last year was 182 million bushels. The price at which the Wheat Board will buy all that is offered is being fixed by the Ottawa government this week.

The British aircraft mission is silent about its intentions while conferring with Canadian manufacturers but expectations regarding orders are increasingly optimistic. These expectations are reflected in gains in aircraft companies stock on the market, National Steel Car being the leader with a 20-point net gain in July.

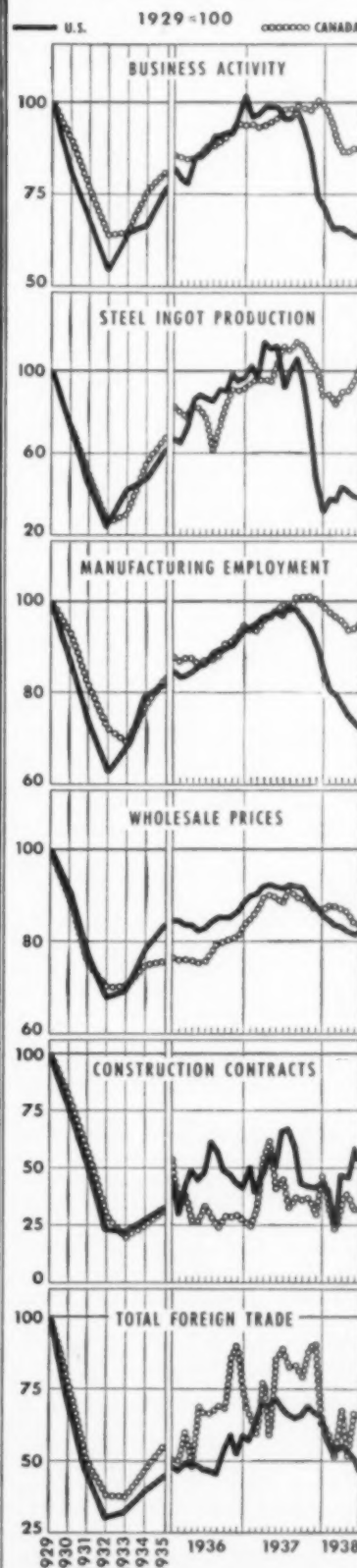
Canadian Business Check List

| | Weekly Index Numbers— 1926 = 100 | | |
|-----------------------------------|-------------------------------------|--------------|-------------------------|
| | July 23, '38 | July 16, '38 | July 24, '37 |
| General Index | 106.7 | 108.3 | 112.5 |
| Key Components: | | | |
| Carloadings | 72.04 | 69.97 | 81.78 |
| Bank Clearings | 83.3 | 89.0 | 103.7 |
| Common Stock Prices | 107.3 | 106.0 | 133.7 |
| Shares Traded | 165.7 | 221.1 | 109.0 |
| | Monthly | | Cumulative from Jan. 1— |
| | 1938 | 1937 | |
| Automobiles (number) | | | |
| Production (June) | 14,732 | 23,841 | 101,158 |
| Domestic sales (May) | 17,977 | 21,043 | 64,984 |
| Exports (June) | 5,795 | 6,809 | 34,960 |
| Pig Iron (tons) (June) | 64,375 | 78,278 | 404,158 |
| Newsprint (tons) (June) | | | |
| Production | 201,694 | 312,165 | 1,259,871 |
| Exports | 194,520 | 306,645 | 1,103,286 |
| Electric Power Output (kw) | | | |
| (000 omitted) (May) | 2,081,935 | 2,301,167 | 10,741,884 |
| Construction Contracts (June)... | \$20,928,100 | \$30,369,600 | \$80,655,200 |
| Life Insurance Sales (June) | \$35,120,000 | \$37,700,000 | \$190,040,000 |
| | | | \$193,116,000 |

Data: Dominion Bureau of Statistics

Business Week

TREND OF BUSINESS CANADA AND U.S.



France Modifies 40-Hour Week

"It hasn't worked," say employers, and the government is forced to make big changes in its rules. The result may be a new wave of strikes.

AFTER EXPERIMENTING for two years with a new law which limits the work week to 40 hours in all industries, France is willing to admit that it "won't work," except with important modifications.

France passed the 40-hour, five-day week law in June, 1936, as a part of a broad program of social and economic reform, including provisions for collective bargaining, minimum wages, and annual paid vacations. In spite of the loud protests of employers that the law was too rigid to be practical in many industries that depended on continuous operation, it was the claim of the Popular Front government which passed it, and of the workers who had demanded it, that it would cut unemployment and, through the boost to wages, increase purchasing power.

Laws Deemed Too Drastic

Two years after this legislation was passed, France recognizes that it was too drastic for the country to digest on short notice. Laws are being modified. Precedents are being set for liberal interpretation of the laws to fit peculiar cases in industry. Workers and employers are bargaining their differences shrewdly.

It is still uncertain whether the two-year old legislation can be liberalized without a new wave of strikes. If labor peace is maintained, it will be only because French workers believe that European political tensions are so serious now that they must make this sacrifice to keep France strong.

It was not until the spring of 1937 that the new labor laws were generally applied throughout France, but in the year since that time, unemployment has increased, industrial production in all but a few industries has declined, and living costs have soared so sharply that workers claim that they have lost all the benefits of higher wages.

Acknowledgment that the program had not worked came last May when the Daladier government issued two decrees drastically modifying the 40-hour law. Labor protested vocally, but there were no serious strikes.

Decrees Liberalize Provisions

Aim of the Daladier decrees was to liberalize the original law which decreed that employers could work their labor no more than eight hours in any day, and no more than five days in any week. The two decrees which were issued in May attempted to maintain the idea of

2,000 hours of work a year, but to render daily and weekly limits more flexible. One decree now allows a factory to make up lost hours due to a shut-down on account of holidays or some other cause accepted by both workers and management. The lost hours can be made up any time within a year, but at the rate of only eight hours for the week, and only one hour can be added to any day of the five-day week. Thus, if more than five hours are to be added, the workers must work on a sixth day. Under the original law, any lost time had to be made up within one or two weeks, depending on the industry.

A second decree allowed overtime work to meet unusually heavy demand for a product, without each individual plant having to apply in each case to the Ministry of Labor. In other words, blanket permission can be granted to an entire industry now, though in this case also no more than eight hours can be added in any work week.

Other adjustments are being made, indicating a new willingness on the part of both workers and management to cooperate. The working week in the hotel industry, for instance, is set at 52 hours because of the periods of slackness each day, but there is still a minimum on

the number of consecutive hours in rest periods.

Bakeries, under recent liberal interpretations of the law, are allowed to work a different number of hours each day so long as the 40-hour limit is not exceeded and so long as consecutive rest days are provided.

These adjustments are only a beginning toward what must eventually be done if French business is going to recover. Figures have just been published showing that steel production in France in June amounted to only 480,000 tons, compared with 687,000 a year ago, and this in the face of a huge rearmament program. In contrast, German steel production set a new record in June, and for the first six months of this year surpassed the output of even the United States.

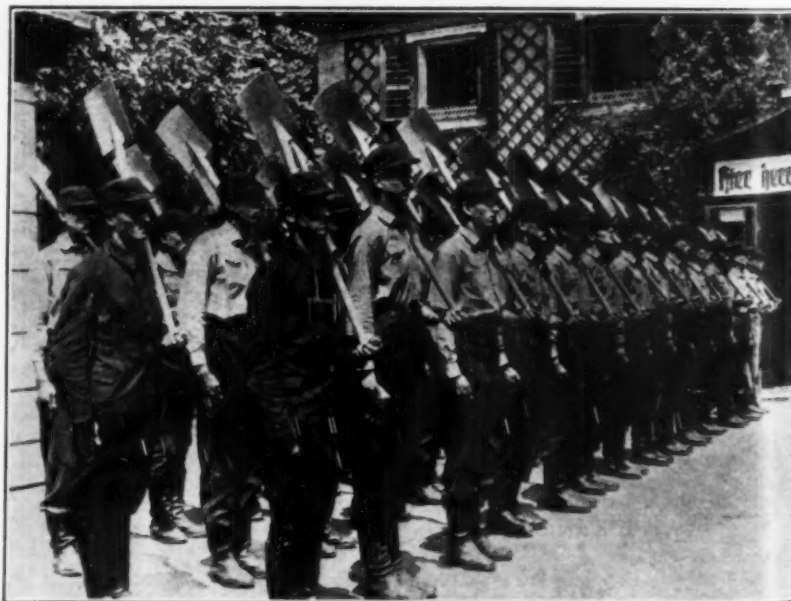
Causes of Output Decline

Manufacturers declare that there are three main reasons for the decline in production which is general in France:

(1) Costs have been boosted by the necessity to pay the same amount for 40 hours of work as had previously been paid for 48 hours, by the increased outlay for social security which is paid on a percentage-of-total-payroll basis, by the sudden drain in many industries of paying for vacations for all workers, and by the simultaneous increase in costs of materials due to the devaluation of the franc.

(2) Production has not increased enough to make up the difference in labor costs, in spite of the installation

Sudeten Germans Drill with Shovels



FOLLOWING THE EXAMPLE of German Labor Camps across the border, Sudeten Germans of Czechoslovakia have established camps for the training of their young men in the arts of peace and war. Here, the youths drill with shovels instead of rifles.

Wide World

German Motorist Gets a Phone Call



European

GERMAN TELEPHONE INTERESTS are experimenting with a system by which motorists can receive telephone calls. Calls must be put through to a filling station along the route at least half an hour before the person called is expected to pass. Then station attendants post on a call board the license number of the car to be stopped. Regular rates are charged for the calls, which as yet can be made to only thirty-seven filling stations along main roads.

of much new machinery and the reorganization of methods.

(3) Long-term planning has been hampered by domestic political uncertainty and the inability, partially because of this, to borrow capital to carry out the modernization that is necessary to increase the productivity of each worker.

A national emergency forced the first reforms in a too rigid labor program. Business conditions are becoming steadily less favorable in France in spite of the drastic measures which have been taken to improve them; government finances are in a desperate state with no signs yet of increasing tax revenues to change the situation; the country's defenses urgently need modernizing. In spite of the protests of the unions with their record number of members, it looks now as though the trend of affairs in France during the next few months is toward further adjustment of the labor legislation to the practical demands of production.

Public Works Snag

German program runs into trouble due to shortage of building materials, shortage of funds.

BERLIN (Business Week Bureau)—A shortage of skilled workers, of building materials, and of funds for continued financing of huge projects threatens to

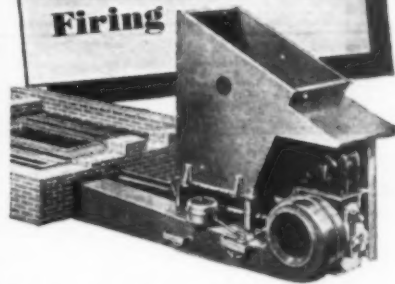
slow down the public works program in Germany and has become the problem which most concerns both government and business circles.

Basis of German Recovery

The business recovery which started in Germany under Hitler was built on a huge rearmament program and a modest public works program, main feature of which was the elaborate road system which the Germans set out to build. Rearmament has now reached the point where factories can be slowed down until some emergency arises, and the road program as originally planned is nearing completion. A huge public works program was devised last winter which was to absorb the workers previously occupied on the other projects. This program included the building of a subway system in Munich, a party center in Nurnberg, and the replanning of Berlin to make it a fitting capital of the new and larger Reich (an undertaking that also reflects Hitler's ardent interest in architecture). It is this new program which is threatened now. In fact, the rebuilding program in Berlin has already been slowed down.

The problem became a matter of public conversation recently when the *Deutscher Volkswirt* carried an editorial which discussed with amazing frankness the difficulties that had been encountered in the building trades in keeping up with the demands of Goering's Four-Year Plan for industry

IRON FIREMAN announces 16 Bulletins on Automatic Coal Firing



How to Heat Buildings Better and Cheaper

A SERIES of special bulletins on the advantages of Iron Fireman automatic coal firing has been prepared for business men who are interested in increased heating efficiency with decreased fuel costs. These bulletins explain the application of Iron Fireman's forced underfiring principle; describes the stoker's operation and cites examples of Iron Fireman performance in these types of installations:

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| Clubs and Lodge Buildings | Cleaners |
| Dairies and Creameries | Manufacturing Plants |
| Garages and Hangars | Office and Store Buildings |
| Government Buildings | Parochial Schools |
| Greenhouses | Restaurants |
| | Schools and Colleges |
| | Theatres and Auditoriums |

Iron Fireman delivers greatly improved heating in almost every conceivable type of firing job. Burns smaller, cheaper sizes of coal—cuts fuel costs 15% to 50%. Reduces boiler room labor. Maintains steady, even heat or power. Eliminates smoke nuisance.

Models that feed from hopper or coal bunker quickly installed in boilers developing up to 800 h.p. Easy monthly terms of payment.

Write for the bulletins in which you are interested. There is no cost or obligation. The coupon is for your convenience. Iron Fireman Mfg. Co., Portland, Oregon; Cleveland; Toronto. Dealers everywhere.

IRON FIREMAN Automatic Coal Firing



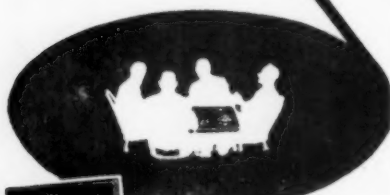
IRON FIREMAN MANUFACTURING CO.
3026 W. 108th St., Cleveland, Ohio.

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Use advertising playing cards to put your trade-mark, message and service before those you want to reach. Strike the right note of graceful contact with this subtle advertising medium, which is always useful and acceptable.

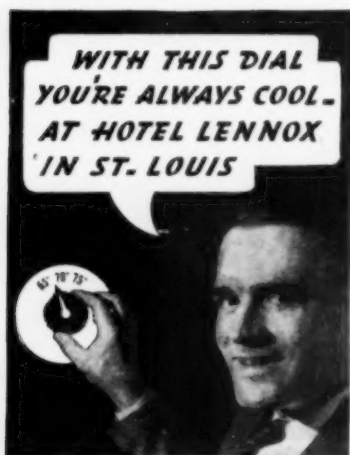
Let us tell you how others are cashing in on the use of advertising playing cards.



Write on your business stationery for interesting FREE booklet "The Winning Hand" Manufacturers of Advertising Playing Cards

BROWN & BIGELOW

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SAINT PAUL, MINNESOTA



For cool, refreshing comfort, day or night, regardless of summer heat stay at Hotel Lennox. Guest-controlled air conditioning, tub and shower bath, radio and other modern features in each room. Two air-conditioned restaurants. 50% of all rooms \$3.50 or less, single — \$5.00 or less, double. "Downtown At Your Doorstep"

HOTEL Lennox

NINTH AND WASHINGTON • ST. LOUIS

HOTEL MAYFAIR ONE BLOCK OVER— SAME MANAGEMENT

and with Hitler's public works projects. The increase in building costs is threatening to upset the precarious stability of wages and prices. Wages are claimed to be up 20% owing to the inefficiency and incompetence of newly drafted workers, to the growing indifference of labor, and to the revived habit of "blue Mondays." It is privately reported also that there is a great deal of direct sabotage, mainly on the part of workers who under existing regulations are not permitted to leave their present jobs without permission from the Labor office. They are therefore doing their best, in many cases, to get fired.

Factors Raising Costs

The cost of materials is also increasing in spite of all the price-stop decrees. It has become necessary, for instance, to ship bricks, cement and other materials from greater distances so that the proportion of freight costs in the final price has in some cases risen to as much as 40%.

Furthermore, the condition of building machinery is rapidly deteriorating because it is being operated day and night in three shifts and because it is handled by untrained and inexperienced workers. Urgent repairs are often made impossible or are unduly delayed because of shortage of steel or because the machinery builders are employed to capacity on new equipment.

Will Hitler Yield?

What is significant to the critical observer is that the *Volkswirt* openly arrives at the conclusion that the only way the situation can be remedied is by cutting the public works program, for there is little hope of increasing supplies to meet the enormous new demand. Since between 80% and 90% of all new construction is for government account, it becomes a matter of deciding which kind of work to curtail—military, industrial, or reconstruction projects. The extravagant plans in the last category could probably be most easily curtailed, but these plans are mostly Hitler's own pets, which may make it difficult. Besides, from the viewpoint of political prestige and popularity it may be more difficult to abandon or postpone them than the less visible armament and industrial objectives.

These problems, plus the matter of raising sufficient funds to meet the enormous costs of the new plans, account for the growing concern in Berlin over the immediate business outlook. Conferences now being held in the capital will soon determine the program for the next few months, and whether or not major building efforts are going to be concentrated on the rebuilding of Berlin or on huge new factories like the Goering Steel Works.

Business Week

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EDITORIALLY SPEAKING

Tip to the drug trade, if they have any simian customers: Dr. George W. D. Hamlett, scientist who has returned from a two-year study of the sex life of monkeys in Brazil, says sex life in monkeys follows the same rhythms as in mankind.

Voices:—C. E. Clement, of the Bureau of Dairy Industry, reports that the average milk bottle makes 35 trips from milk company to consumer. . . . "Neck whiskers, if they are not shaved off every day, abrade the fabric of the shirt at the collar; of course this lessens the life of the collar and of the shirt as a whole," says J. Fred Oesterling, research assistant in textile chemistry at Pennsylvania State College. . . . Dogs get better care in the city than in the country, meet fewer dangers, and live longer, Dr. C. P. Zepp told the American Veterinary Medical Association.

Our Times:—Bank night is lawful in Utah, according to the state supreme court. . . . The Rust brothers intend to build a plant in Memphis with a capacity annual production of 1,000 of their mechanical cotton pickers. . . . Conceivably some day there will be no more "room entertainment" during business conventions; we learn from *Electrical World* that the Canadian Electrical Association, at its recent convention, set up a cooperative club which furnished centralized entertainment quarters except during session periods, and which managed to shut down at a reasonable hour at night.

She Stuff:—Paramount Gas & Oil Co. hired eight pretty girls as "hostesses" in filling stations, thus boosting sales and causing the Gasoline Station Employees' Union at Milwaukee to insist that the girls be restricted to working as cashiers. . . . After learning that many women were listening to baseball programs, General Mills hired Miss Helen Dettweiler, who is a sports fan and an excellent golfer, to announce most of its baseball broadcasts.

Mailbag:—F. H. McKnight, who runs two movie theaters in Pittsburgh, tells us of "a shocking and un-American experience" he has just had, namely, "without any prior consultation or fanfare, each theater received a check from the union local for a 5¢ an hour wage reduction, retroactive six weeks," because business had recently slackened. . . . That little controversy about the amount of ink "filched" from banks isn't quite finished yet. This time we hear from another Canadian—Leroy G. Brown, president of the Hillbush Wine Co., St. Catharines, Ont.: "The ink and

the penpoints on the bank counters are not worth taking, filching, or even stealing. About all I have ever been able to find in a majority of the inkwells is a thick gooey mess that one would require a whitewash brush to spread, and when we do find something that will flow, it's so anaemic that the blotter even lifts the color off the paper, and the penpoints feel on paper as though the bank messenger had used them for his garden cultivation or cleaning the sidewalk."

Most men are scared to death of women's clothing stores, but one-fourth of the women who go to Mary Sachs' stores in Lancaster, Harrisburg, and Reading, Pa., are accompanied by men. The reason is that Miss Sachs advertises to the men. . . . She tells them that women dress to please their men. She provides a men's waiting room, and a consultation room where the customer and her man can talk things over and decide what to buy. . . . The men like this advertising, because it tickles their vanity. The women like it because they know it tickles the men's vanity and makes them willing to pay the bills.

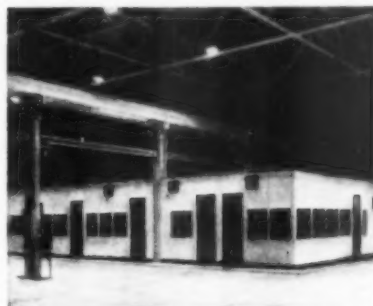
Life is one new thing after another. . . . There's talk of a new tax in New York City, a \$10 tax on each of the city's 2,500 pay toilets. These are in restaurants, department stores, theaters, railroad and bus terminals, hotels, and public buildings. They bring in a gross income of more than \$300,000, and the companies that manufacture the locks take 10 to 30% of the gross. . . . Have you an ant-extermination problem? Dr. Clyde C. Hamilton of Rutgers University has developed a jelly bait for ants that contains a poison which is odorless and tasteless, thus fooling the ants' highly developed senses of smell and taste. Moreover, it's slow-acting; so there's time for the ants to carry it back and feed other working ants and the queen herself; and when you kill the queen you kill the nest. . . . Women complain the new doll hats are so small they leave much of the back hair exposed; but this nuisance will benefit the hairdressers and the manufacturers of cap hair nets.

"Well, I ought to have a good swift kick," thousands of people say to themselves every day. So Tom W. Haywood, filling station owner of Croatan, N. C., has set up a kicking machine, and customers use it, turning a crank that gives them the kick they deserve. . . . Isn't there a wide market for this machine? People will buy it for their homes, and use it every day. It can even be used in offices. . . . We need one.

Large Metal Producer Again Uses Movable Transite Walls

FIVE YEARS AGO, the Aluminum Company of America made its first installation of J-M Transite Walls in its Pittsburgh offices. Shortly afterward, the office extension at its Massena, N. Y., plant was partitioned with Transite. These installations were so highly satisfactory that when the company was faced with an unusually difficult problem—constructing offices and laboratories within the new Lafayette, Ind., plant building—this modern wall material was again selected.

Transite Walls were used both as solid walls and in combination with glass. Because of their unique, absolutely dry construction method, installation was completed rapidly, economically. Relocation, too, will be



PART OF 9,000 SQ. FT. of Transite Walls in offices of Aluminum Company of America's new Lafayette, Ind., plant. These walls and the 8,000 sq. ft. of J-M Sana-coustic Ceilings can be completely relocated when the separate office building is ready.

easy . . . free from dirt and muss . . . with complete salvage of all materials. And this is an important money-saving advantage since the company intends to use these same walls in the separate office building planned for the future.

This type of durable partition is practically unaffected by severe conditions met in plant service. Made of asbestos and cement, Transite Walls are fire- and rot-proof, highly resistant to corrosion and so strong that on this installation, where the roof of the building is 30 feet above floor level, they carry the entire weight of ceilings, pipe and conduit. They provide all the solidity of fixed walls, and, being sound-resistant as well, they also assure complete privacy.

In these Aluminum Company of America offices at Lafayette, all the Transite Walls were left in their attractive natural finish. But lacquer, wood veneer, paint, fabric, paper or any other material could have been used, for Transite Walls provide a flush, projection-free surface suitable to any decorative treatment.

Full details and many interesting installations are shown in the new Transite Walls brochure. For a copy, write Johns-Manville, 22 East 40th Street, New York, N. Y.

BUSINESS WEEK

The Journal of Business News and Interpretation

AUGUST 6, 1938

The Farm Program Hits a Snag

THIS COUNTRY'S most elaborate farm program already has landed in the courts. It's all very well for a farmer to vote, in the spring, to be bound by marketing quotas in the fall. It's a quite different thing, with the crops in the bins and barns, to abide willingly by the spring vote.

Tobacco farmers in the Southeast are finding that out. They voted last spring to accept a marketing quota program with confiscatory fines for quota violations. Without too much grumbling, they reduced acreages. But now they have the tobacco in the curing barns. Yields were in excess of quotas—very heavily so in most of Georgia. So tobacco raisers have gone to court. Injunctions against imposition of penalties for excess marketings are in force pending a constitutionality test.

Such suits were inevitable. The penalties for excess marketings were bound to pinch. Moreover, the penalties obviously are the widest chink in the farm program's legal armor. Yet they aren't the law's worst features by a long shot.

THERE PROBABLY IS SOME DEFENSE for most parts of the program. Soil conservation and soil building are laudable and essential goals—though ladling out half a billion of tax money each year to persuade the farmer to look out for his own best interest is a strange method of reaching them. Dubious as are efforts at price control—particularly as applied to crops which must compete in export markets—they may lead the way toward a more constructive program. Sec. Wallace's ever-normal granary (who called the thing a quandary?) would be accepted if it contributed to real farm prosperity.

But the act, as Congress finally turned it out, is founded on a fallacy and sets a misleading goal for what is essentially a drive to raise farm income. It aims to give the farmer a price for a bushel of wheat or a bale of cotton which will equal the 1910-14 average price in terms of purchasing power. This is the much-talked-of parity price. Practically the entire operation of the law is based on "parities"—marketing quotas and acreage quotas and loans to keep surpluses back for lean years all are inextricably tied up with them.

Yet what is the connection between 1910-14 parities and 1938 conditions? The ratio for figuring parities is based solely on the relation of the farmer's crop dollar to the things he buys. His biggest fixed charge

—the investment in his land—isn't in that ratio. His taxes and the rate of interest he pays on his mortgage aren't in it. The amount of labor and the wages paid—his biggest out-of-pocket expenses—are conspicuously missing.

METHODS OF FARMING, like methods of manufacturing, have changed radically since 1914. Twenty years ago it required 6½ man-hours to harvest an acre of wheat. Now, with baby combines clattering across the fields of the Middle West, it takes barely one-third that many man-hours.

In sugar beets, where cost of hand labor is by far the largest cost item in production and harvesting, savings in man-hours running as high as 20% have been effected since 1915. And machinery has barely begun its work with sugar beets. Mechanical blocking, hoeing, thinning, pulling, and topping promise to work a further and very marked reduction in labor costs before long.

Mechanical potato diggers since 1909 have cut 6½ to 14 man-hours from the labor of harvesting an acre. The mechanical cotton picker is just over the horizon; if it were to be used on only half of the acreage in the areas of big plantations it would eliminate the work of 2,000,000 hand pickers each working 10 hours a day for 40 days each season.

The mechanical milker has come to the dairy, electric lights keep the hen working overtime, better seed produced in governmentally supported testing fields has increased yields, trucking has cut the cost of carting to market, and the Farm Credit Administration has helped the farmer with his mortgage. In short, the farmer in 1938 is working on a different cost basis from that in 1910-14.

So what has a 1910-14 parity got to do with 1938, and why should it remain the guiding principle in a competitive market?

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